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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Kunming Dianchi Water Treatment Co., Ltd., you should at once hand this circular and the proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

(1) MAJOR TRANSACTION EXTENSION OF ENTRUSTED LOAN GRANTED TO KUNMING URBAN INVESTMENT; AND (2) 2024 SECOND EXTRAORDINARY GENERAL MEETING

The EGM will be held at 2:30 p.m. on Tuesday, 4 June 2024 at the meeting room of the Company on the 1st floor at Wastewater Treatment Plant No. 7, Kunming Dianchi Tourist Resort, Yunnan Province, the PRC. Notice of the EGM is set out on pages 27 to 28 of this circular.

If you intend to appoint a proxy to attend the EGM, you are required to complete and return the proxy form in accordance with the instructions printed thereon. For holders of H Shares, the proxy form should be returned to Tricolor Investor Services Limited and for holders of Domestic Shares, the proxy form should be returned to the Company's registered office and headquarters in the PRC by personal delivery or by post in any event not less than 24 hours before the time fixed for holding the EGM (i.e. before 2:30 p.m. on Monday, 3 June 2024) or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or at any other adjourned meeting should you so wish.

17 May 2024

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DEFINITIONS

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

“Articles of Association”	the articles of association of the Company, as amended from time to time
“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)
“controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Domestic Shares”	ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB
“EGM”	the 2024 second extraordinary general meeting of the Company to be held at 2:30 p.m. on Tuesday, 4 June 2024 at the meeting room of the Company on the 1st floor at Wastewater Treatment Plant No. 7, Kunming Dianchi Tourist Resort, Yunnan Province, the PRC
“Entrusted Loan Contract”	the entrusted loan contract entered into by the Company with Kunming Urban Investment and Panlong District Rural Credit Cooperative on 9 June 2022
“Entrusted Loan Transaction”	the transaction contemplated under the Entrusted Loan Contract, namely the provision of a RMB310 million loan by Panlong District Rural Credit Cooperative to Kunming Urban Investment as entrusted by the Company
“Entrusted Loan Extension Agreement I”	the entrusted loan extension agreement entered into by the Company with Kunming Urban Investment and Panlong District Rural Credit Cooperative on 9 June 2023
“Entrusted Loan Extension Transaction I”	the transaction contemplated under the Entrusted Loan Extension Agreement I, namely the extension of the maturity date of RMB180 million of the principal amount of the entrusted loan under the Entrusted Loan Contract from 8 June 2023 to 8 June 2024

DEFINITIONS

“Entrusted Loan Extension Agreement II”	the entrusted loan extension agreement entered into by the Company with Kunming Urban Investment and Panlong District Rural Credit Cooperative on 29 April 2024
“Entrusted Loan Extension Transaction II”	the transaction contemplated under the Entrusted Loan Extension Agreement II, namely the extension of the maturity date of RMB180 million of the principal amount of the entrusted loan under the Entrusted Loan Contract and the Entrusted Loan Extension Agreement I from 8 June 2024 to 7 June 2026
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is listed on the Main Board of the Stock Exchange and traded in Hong Kong dollar
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Kunming Dianchi Investment”	Kunming Dianchi Investment Co., Ltd.* (昆明滇池投資有限責任公司), a company established in Yunnan Province, the PRC with limited liability on 13 October 2004, which is a controlling Shareholder of the Company
“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)
“Kunming Urban Investment”	Kunming Urban Construction and Investment Development Co., Ltd.* (昆明市城建投資開發有限責任公司), a company with limited liability incorporated in the PRC, which is directly owned as to 84.42% by Kunming SASAC and is not a connected person of the Company as defined under the Listing Rules as at the Latest Practicable Date
“Latest Practicable Date”	16 May 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Panlong District Rural Credit Cooperative”	Kunming Panlong District Rural Credit Cooperative* (昆明市盤龍區農村信用合作聯社), a third party independent of the Company and its connected person(s)

DEFINITIONS

“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, comprising the Domestic Shares and H Shares
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning ascribed to it under the Listing Rules
“Supervisor(s)”	supervisors of the Company
“%”	per cent.

* *For identification purposes only*

LETTER FROM THE BOARD



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)

Board of Directors:

Executive Directors:

Mr. Zeng Feng (*Chairperson*)
Mr. Chen Changyong (*General Manager*)
Mr. Miao Xianjun

Non-executive Directors:

Mr. Xu Jingdong
Mr. Zhou Jianbo
Mr. Zhang Yang

Independent non-executive Directors:

Mr. Zha Guiliang
Ms. Zheng Dongyu
Mr. Ong King Keung

*Registered office and headquarters
in the PRC:*

Wastewater Treatment Plant No. 7
Kunming Dianchi Tourist Resort
Yunnan Province, the PRC

Principal place of business in Hong Kong:

Room 1901, 19/F, Lee Garden One
33 Hysan Avenue, Causeway Bay
Hong Kong

17 May 2024

To the Shareholders

Dear Sirs and Madams,

(1) MAJOR TRANSACTION EXTENSION OF ENTRUSTED LOAN GRANTED TO KUNMING URBAN INVESTMENT; AND (2) 2024 SECOND EXTRAORDINARY GENERAL MEETING

I. INTRODUCTION

On behalf of the Board, I invite you to attend the EGM to be held at 2:30 p.m. on Tuesday, 4 June 2024 at the meeting room of the Company on the 1st floor at Wastewater Treatment Plant No. 7, Kunming Dianchi Tourist Resort, Yunnan Province, the PRC.

The purpose of this circular is to provide you with all the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the proposed resolution at the EGM.

LETTER FROM THE BOARD

II. BUSINESS TO BE CONSIDERED AT THE EGM

The business to be considered at the EGM is described in more detail in the notice of the EGM as set out on pages 27 to 28 of this circular.

Resolution to be proposed at the EGM and proposed to be passed as an ordinary resolution includes:

To consider and approve the extension of the entrusted loan of RMB180 million granted under the Entrusted Loan Contract, the Entrusted Loan Extension Agreement I and the Entrusted Loan Extension Agreement II entered into by the Company with Kunming Urban Investment and Panlong District Rural Credit Cooperative on 9 June 2022, 9 June 2023 and 29 April 2024, respectively, to 7 June 2026.

In order to enable you to have a better understanding of the resolution to be proposed at the EGM and to make an informed decision in the circumstance where sufficient and necessary information is available, we have provided the Shareholders with detailed information in this circular.

III. TO CONSIDER AND APPROVE THE EXTENSION OF ENTRUSTED LOAN GRANTED TO KUNMING URBAN INVESTMENT

Reference is made to the Company's announcements dated 9 June 2022, 16 June 2022, 9 June 2023 and 12 June 2023 in relation to (i) the entering into of the Entrusted Loan Contract by the Company (as trustor) with Kunming Urban Investment (as borrower) and Panlong District Rural Credit Cooperative (as trustee) in respect of the Entrusted Loan Transaction on 9 June 2022. Pursuant to the Entrusted Loan Contract, the Company entrusted Panlong District Rural Credit Cooperative to provide a RMB310 million entrusted loan to Kunming Urban Investment for a term from 9 June 2022 to 8 June 2023, and Kunming Dianchi Investment provided a full and joint liability guarantee for the Entrusted Loan Transaction under the Entrusted Loan Contract; and (ii) the entering into of the Entrusted Loan Extension Agreement I by the Company with Kunming Urban Investment and Panlong District Rural Credit Cooperative in respect of the Entrusted Loan Contract on 9 June 2023 to extend the term of RMB180 million of the principal amount of the entrusted loan under the Entrusted Loan Contract to 8 June 2024, and Kunming Dianchi Investment provided a full and joint liability guarantee for the Entrusted Loan Extension Transaction I under the Entrusted Loan Extension Agreement I. As of the Latest Practicable Date, Kunming Urban Investment has paid the corresponding interest pursuant to relevant provisions of the Entrusted Loan Contract and the Entrusted Loan Extension Agreement I.

After arm's length negotiation, the Company entered into the Entrusted Loan Extension Agreement II in respect of the Entrusted Loan Contract and the Entrusted Loan Extension Agreement I with Kunming Urban Investment and Panlong District Rural Credit Cooperative on 29 April 2024 (after trading hours) to extend the term of RMB180 million of the principal amount of the entrusted loan under the Entrusted Loan Contract/Entrusted Loan Extension Agreement I to 7 June 2026. Save for the amendments specified in the Entrusted Loan Extension Agreement II, all other terms and conditions of the Entrusted Loan Contract remained unchanged.

LETTER FROM THE BOARD

1. **Entrusted Loan Contract, Entrusted Loan Extension Agreement I and Entrusted Loan Extension Agreement II**

Except for the terms and conditions specified in the Entrusted Loan Extension Agreement II, all other terms and conditions of the Entrusted Loan Contract shall apply to the Entrusted Loan Extension Transaction II.

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

	Entrusted Loan Contract	Entrusted Loan Extension Agreement I	Entrusted Loan Extension Agreement II
Date:	9 June 2022	9 June 2023	29 April 2024
Parties:	(i) the Company (as trustor) (ii) Kunming Urban Investment (as borrower) (iii) Panlong District Rural Credit Cooperative (as trustee)	(i) the Company (as trustor) (ii) Kunming Urban Investment (as borrower) (iii) Panlong District Rural Credit Cooperative (as trustee)	(i) the Company (as trustor) (ii) Kunming Urban Investment (as borrower) (iii) Panlong District Rural Credit Cooperative (as trustee)
Principal amount of the entrusted loan/ extension amount:	RMB310 million	Extension amount of RMB180 million. The extension amount shall be repaid in one lump sum upon maturity.	Extension amount of RMB180 million. The extension amount shall be repaid in one lump sum upon maturity.
Term/term of extension:	12 months, i.e. from 9 June 2022 to 8 June 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.	From 8 June 2023 to 8 June 2024	From 8 June 2024 to 7 June 2026

LETTER FROM THE BOARD

	Entrusted Loan Contract	Entrusted Loan Extension Agreement I	Entrusted Loan Extension Agreement II
Interest rate:	<p>The interest rate is fixed at 8.5% per annum calculated by adding 480 basis points to the prime rate for a one-year loan for the most recent period 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. Compound interest shall be calculated on any interest that cannot be paid on time in accordance with the provisions of the Entrusted Loan Contract. Interest on each individual entrusted loan is calculated from the actual drawdown date and is based on the actual number of days used.</p>	<p>The interest rate of the Entrusted Loan Extension Transaction I under the Entrusted Loan Extension Agreement I is 8.5% per annum. Interest shall be paid 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. Compound interest shall be calculated on any interest that cannot be paid on time in accordance with the provisions of the Entrusted Loan Contract. Interest on each individual entrusted loan is calculated from the actual drawdown date (the commencement date of the extension in respect of the Entrusted Loan Extension Transaction I) and is based on the actual number of days used.</p>	<p>The interest rate of the Entrusted Loan Extension Transaction II under the Entrusted Loan Extension Agreement II is 8.5% per annum. Interest shall be paid 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. Compound interest shall be calculated on any interest that cannot be paid on time in accordance with the provisions of the Entrusted Loan Contract. Interest on each individual entrusted loan is calculated from the actual drawdown date (the commencement date of the extension in respect of the Entrusted Loan Extension Transaction II) and is based on the actual number of days used.</p>

LETTER FROM THE BOARD

	Entrusted Loan Contract	Entrusted Loan Extension Agreement I	Entrusted Loan Extension Agreement II
Release of loan:	<p>The principal of entrusted loan under the Entrusted Loan Contract will be released to Kunming Urban Investment in one lump sum. The conditions precedent for the release of the principal of entrusted loan include the relevant guarantee clause or guarantee contract under the Entrusted Loan Contract having been established and taking effect in accordance with relevant laws; the guarantor having provided the guarantee materials and completed relevant procedures in accordance with relevant requirements; Kunming Urban Investment having opened an account with Panlong District Rural Credit Cooperative and voluntarily accepting credit supervision and payment and settlement supervision; Kunming Urban Investment having submitted an application for drawdown in advance in accordance with the provisions of the Entrusted Loan Contract, etc.</p>	Not applicable	Not applicable

LETTER FROM THE BOARD

	Entrusted Loan Contract	Entrusted Loan Extension Agreement I	Entrusted Loan Extension Agreement II
Repayment of loan:	Interest is payable quarterly in arrears and principal is repaid irregularly. 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 the Entrusted Loan Extension Agreement I. Other relevant provisions of the Entrusted Loan Contract remain applicable.	Principal shall be repaid in one lump sum upon maturity of the term of the Entrusted Loan Extension Agreement II. Other relevant provisions of the Entrusted Loan Contract remain applicable.
Early repayment and extension of loan:	With the consent of the Company, Kunming Urban Investment may repay part or all of the loan in advance within the term of the entrusted loan after completing the formalities in accordance with the relevant provisions of the Entrusted Loan Contract. If Kunming Urban Investment needs to extend the entrusted loan, Kunming Urban Investment 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, together with a written opinion from Kunming Dianchi Investment agreeing to continue to provide guarantee, 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 Urban Investment shall repay the principal and interest of the entrusted loan in accordance with the provisions of the Entrusted Loan Contract.	Relevant provisions of the Entrusted Loan Contract remain applicable.	Relevant provisions of the Entrusted Loan Contract remain applicable.

LETTER FROM THE BOARD

	Entrusted Loan Contract	Entrusted Loan Extension Agreement I	Entrusted Loan Extension Agreement II
Guarantee:	<p>Kunming Dianchi Investment provided a full and joint liability guarantee for the Entrusted Loan Transaction under the Entrusted Loan Contract.</p>	<p>Kunming Dianchi Investment provided a full and joint liability guarantee for the Entrusted Loan Extension Transaction I under the Entrusted Loan Extension Agreement I.</p>	<p>Kunming Dianchi Investment provided a full and joint liability guarantee for the Entrusted Loan Extension Transaction II under the Entrusted Loan Extension Agreement II.</p>
Service charge:	<p>The service charge for the entrusted loan under the Entrusted Loan Contract shall be calculated at the rate of 0.1% per annum, i.e. the service charge shall be RMB310,000, which shall be paid by the Company to Panlong District Rural Credit Cooperative in one lump sum upon release of the first batch of loan.</p>	<p>Same as the standards and payment methods as agreed in the Entrusted Loan Contract, i.e. the service charge for the Entrusted Loan Extension Transaction I under the Entrusted Loan Extension Agreement I shall be calculated at the rate of 0.1% per annum, i.e. the service charge shall be RMB180,000, which shall be paid by the Company to Panlong District Rural Credit Cooperative in one lump sum.</p>	<p>Same as the standards and payment methods as agreed in the Entrusted Loan Contract, i.e. the service charge for the Entrusted Loan Extension Transaction II under the Entrusted Loan Extension Agreement II shall be calculated at the rate of 0.1% per annum, i.e. the service charge shall be RMB360,000, which shall be paid by the Company to Panlong District Rural Credit Cooperative in one lump sum. Once paid, the service charge is non-refundable by Panlong District Rural Credit Cooperative.</p>

LETTER FROM THE BOARD

	Entrusted Loan Contract	Entrusted Loan Extension Agreement I	Entrusted Loan Extension Agreement II
Others:			<p>The Entrusted Loan Extension Transaction II shall be subject to consideration and approval at the EGM of the Company, and the Company will convene the EGM as soon as possible and will timely (no later than 30 June 2024) notify Panlong District Rural Credit Cooperative and Kunming Urban Investment of the resolution of the EGM. If the Company fails to provide the resolution of general meeting for approval of extension on or before 30 June 2024, the Entrusted Loan Extension Agreement II shall cease to be performed, and Kunming Urban Investment is required to repay all principal of the outstanding entrusted loan (i.e. RMB180 million) and settle all interest and punitive interest payable up to the date of repayment of the principal of the entrusted loan calculated based on the provisions of the Entrusted Loan Contract and the Entrusted Loan Extension Agreement I within 3 business days from the date on which the Entrusted Loan Extension Agreement II ceases to be performed, and cooperate in completing relevant procedures for transfer of funds. If Kunming Urban Investment fails to fulfill the aforesaid repayment obligations as scheduled, the trustor shall have the right to deduct the relevant amount pursuant to the Entrusted Loan Contract and the Entrusted Loan Extension Agreement I.</p>

LETTER FROM THE BOARD

The Company has already received the guarantee commitment letter (the “**Guarantee Commitment Letter**”) issued by Kunming Dianchi Investment. Pursuant to the Guarantee Commitment Letter, Kunming Dianchi Investment has undertaken to provide a full and joint liability guarantee for the amount including the outstanding principal amount of the entrusted loan of Kunming Urban Investment of RMB180 million together with its corresponding interests etc. under the Entrusted Loan Extension Agreement II. Before entering into the Entrusted Loan Extension Agreement II, the Company had assessed the debt repayment ability and operating conditions of Kunming Urban Investment and considered that Kunming Urban Investment was solvent and able to repay the entrusted loan, while the provision of guarantee by Kunming Dianchi Investment further protected the rights and interests of the Company.

Basis of interest rate

The fixed annual interest rate of 8.5% under the Entrusted Loan Extension Agreement II was negotiated on an arm’s length basis between the Company and Kunming Urban Investment based on (1) the fact that the interest rate under the Entrusted Loan Extension Agreement II 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 22 April 2024; (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 Urban Investment.

2. Reasons for and Benefits of the Entrusted Loan Extension Agreement II

As of the Latest Practicable Date, Kunming Urban Investment has settled all the interest payable pursuant to the provisions of the Entrusted Loan Contract and the Entrusted Loan Extension Agreement I. By entering into the Entrusted Loan Extension Agreement II, it will increase the interest income of the Company and at the same time facilitate the cooperation with Kunming Urban Investment in innovative financing models. The interest rate of the entrusted loan under the Entrusted Loan Extension Agreement II is 8.5% per annum, and the entering into of the Entrusted Loan Extension Agreement II will generate an interest income of approximately RMB15.3 million per annum for the Company. Based on the latest audited financial statements of the Company, the weighted average effective interest rate of the Company for the year ended 31 December 2023 was approximately 5.17%, while the interest rate for the Entrusted Loan Extension Transaction II under the Entrusted Loan Extension Agreement II was 3.33 percentage points higher than the Company’s weighted average effective interest rate for the year ended 31 December 2023. At the same time, the relevant provisions regarding early repayment under the Entrusted Loan Contract remain applicable to the Entrusted Loan Extension Agreement II and, hence, the Company is entitled to negotiate with Kunming Urban Investment regarding early repayment of the entrusted loan if it sees appropriate.

LETTER FROM THE BOARD

Prior to entering into the Entrusted Loan Extension Agreement II, the Company had obtained the latest audited financial statements of Kunming Urban Investment. After analyzing the financial statements and understanding the operation and business development of Kunming Urban Investment, the Board is of the view that the credit risks of Kunming Urban Investment is controllable. As at 31 December 2023, Kunming Urban Investment had a debt-to-asset ratio of 58.84% (calculated as the total liabilities divided by the total assets), a current ratio of 2.18 (calculated as the current assets divided by the current liabilities) and a quick ratio of 1.06 (calculated as the current assets minus the inventory, and then divided by the current liabilities), and has the ability to repay its long-term and short-term debts.

Mr. Zha Guiliang abstained from voting and Mr. Zhou Jianbo voted against the resolution at the Board meeting. Mr. Zha Guiliang abstained from voting because he considered that the recovery of the principal amount of the entrusted loan upon the maturity date under the Entrusted Loan Extension Agreement I would be conducive to the improvement of the Company's risk-resistant capability, and Mr. Zhou Jianbo voted against the resolution mainly because he considered that the recovery of the principal amount of the entrusted loan could increase the cash balance held by the Company and strengthen the Company's risk resistance. Mr. Ong King Keung did not attend the current Board meeting to consider the Entrusted Loan Extension Transaction II as he was on leave due to his personal business arrangement. Based on the reasons above, other than Mr. Zha Guiliang and Mr. Zhou Jianbo (the "**Dissenting Directors**"), all Directors who attended the meeting were of the view that the Entrusted Loan Extension Transaction II is conducted on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

All Directors who attended the current Board meeting to consider the Entrusted Loan Extension Transaction II had given due and careful consideration to the Entrusted Loan Extension Transaction II and the opinions of the Dissenting Directors. All Directors of the Board who attended the meeting other than the Dissenting Directors were of the unanimous view that (i) Kunming Urban Investment has the ability to repay the entrusted loan, (ii) the relevant provisions regarding early repayment under the Entrusted Loan Contract remain applicable to the Entrusted Loan Extension Agreement II, so that the Company is entitled to negotiate with Kunming Urban Investment regarding early repayment of the entrusted loan if it sees appropriate, and (iii) the Entrusted Loan Extension Transaction II can generate revenue for the Company and facilitate the cooperation with Kunming Urban Investment in innovative financing models. Taking into account the Company's operating conditions, financial position and development plans, the Entrusted Loan Extension Transaction II will not have any material adverse impact on the Company's risk prevention and management.

3. Financial Impact

The Entrusted Loan Extension Transaction II does not involve the release of new funds and the principal amount granted under the entrusted loan has been reflected in the Company's audited consolidated financial statements for the year ended 31 December 2022 and 31 December 2023. The term of the Entrusted Loan Extension Transaction II is 24 months and is expected to generate revenue of approximately RMB30.6 million.

LETTER FROM THE BOARD

4. **Details of the Parties to the Entrusted Loan Contract, the Entrusted Loan Extension Agreement I and the Entrusted Loan Extension Agreement II**

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 Urban Investment

Kunming Urban Investment, which is directly owned as to 84.42% by Kunming SASAC, is an urban infrastructure construction and regional urban comprehensive operator in Kunming City. The principal business of Kunming Urban Investment includes: land preparation and development, entrusted construction of infrastructure, real estate development, etc. Kunming Urban Investment is directly owned as to 15.58% by Kunming Development Investment Group Co., Ltd. (昆明發展投資集團有限公司), which is in turn wholly owned by Kunming SASAC.

Panlong District Rural Credit Cooperative

Panlong District Rural Credit Cooperative is a China-based financial institution that is mainly engaged in taking public deposits and providing loans and other activities. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiry, and based on the public information currently available to the Company, as at the Latest Practicable Date, Panlong District Rural Credit Cooperative is under the supervision of Kunming Municipal Rural Credit Cooperative Union* (昆明市農村信用合作社聯合社) (as the capital contributor), and Kunming Municipal Rural Credit Cooperative Union* (昆明市農村信用合作社聯合社) is under the supervision of Yunnan Branch of the People's Bank of China* (中國人民銀行雲南省分行) (as the capital contributor).

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiry, as at the Latest Practicable Date, Kunming Urban Investment is not a connected person of the Company as defined under the Listing Rules, and Panlong District Rural Credit Cooperative and its ultimate beneficial owner are third parties independent of the Company and its connected person(s).

5. **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 II and the Entrusted Loan Extension Transaction II thereunder are more than 25% but less than 75%, the entering into of the Entrusted Loan Extension Agreement II and the Entrusted Loan Extension Transaction II 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.

LETTER FROM THE BOARD

The Entrusted Loan Extension Transaction II shall be subject to the consideration and approval by the Shareholders. If the Entrusted Loan Extension Transaction II fails to obtain the aforesaid approval from the Shareholders, Kunming Urban Investment shall repay the principal amount of the entrusted loan (i.e. RMB180 million) and settle all the interest payable up to the date of repayment of such principal amount of the entrusted loan in accordance with the relevant provisions of the Entrusted Loan Contract and the Entrusted Loan Extension Agreement I.

IV. THE EGM

The proxy form of the EGM is enclosed herewith.

If you intend to appoint a proxy to attend the EGM, you are required to complete and return the proxy form in accordance with the instructions printed thereon. For holders of H Shares, the proxy form should be returned to Tricor Investor Services Limited and for holders of Domestic Shares, the proxy form should be returned to the Company's registered office and headquarters in the PRC by personal delivery or by post in any event not less than 24 hours before the time fixed for holding the EGM (i.e. before 2:30 p.m. on Monday, 3 June 2024) or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or at any other adjourned meeting should you so wish.

V. VOTING BY POLL

According to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Accordingly, the Chairman of the EGM will exercise his power under the Articles of Association to demand a poll in relation to all the proposed resolution at the EGM.

Any Shareholders who have a material interest in the Entrusted Loan Extension Agreement II shall abstain from voting on the resolution in relation thereto to be proposed at the EGM. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has a material interest in the Entrusted Loan Extension Agreement II and the Entrusted Loan Extension Transaction II thereunder, and no Shareholder is required to abstain from voting on the resolution approving the Entrusted Loan Extension Agreement II and the Entrusted Loan Extension Transaction II thereunder at the EGM.

VI. RECOMMENDATIONS

The Board considers that the resolution proposed at the EGM (including the Entrusted Loan Extension Transaction II) is fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the proposed resolution at the EGM.

Yours faithfully,
Zeng Feng
Chairperson

* For identification purposes only

I. FINANCIAL INFORMATION OF THE GROUP

Details of the audited consolidated financial information of the Group for each of the three years ended 31 December 2021, 2022 and 2023 are disclosed in the following annual reports of the Company for the years ended 31 December 2021, 2022 and 2023, respectively, which have been published on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<https://www.kmdcwt.com>):

- (i) The Group's annual report for the year ended 31 December 2021 published on 8 April 2022 (available at <https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0408/2022040800345.pdf>), particularly as shown in pages 176 to 318.
- (ii) The Group's annual report for the year ended 31 December 2022 published on 24 April 2023 (available at <https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0424/2023042400933.pdf>), particularly as shown in pages 160 to 310.
- (iii) The Group's annual report for the year ended 31 December 2023 published on 18 April 2024 (available at <https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0418/2024041800330.pdf>), particularly as shown in pages 170 to 316.

II. INDEBTEDNESS OF THE GROUP

As at the close of business on 30 April 2024, being the latest practicable date for ascertaining the indebtedness of the Group prior to the printing of this circular, the Group mainly had (i) unsecured current borrowings of approximately RMB642 million and no unsecured non-current borrowings; (ii) secured current borrowings of approximately RMB2,596 million, secured non-current borrowings of approximately RMB1,808 million, all of which were secured by charges over mainly the Group's revenue from sewage treatment, together with the property, plant and equipment with carrying value of approximately RMB650 million; (iii) financial liability of approximately RMB1,171 million, which was secured by charges over bill deposits of approximately RMB1 million (as a guarantee amount for the bill payables of the financial liability); and (iv) capital expenditure contracted for but not yet transpired in respect of property, plant and equipment of approximately RMB14 million and commitment for concession projects and construction projects contracted for but not yet transpired of approximately RMB722 million.

Save as disclosed above and apart from intra-group liabilities and normal trade payables in the ordinary course of business, at the close of business on 30 April 2024, the Group did not have any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorised or otherwise created but unissued and term loans of other borrowings, indebtedness in the nature of borrowings, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities.

III. WORKING CAPITAL OF THE GROUP

The Directors believe that, after taking into account the existing cash and bank balances, other internal resources and available existing unutilised credit facilities, the Group has sufficient working capital for its present requirements and to satisfy its requirements for at least the next 12 months from the date of publication of this circular in the absence of unforeseen circumstances.

Pursuant to Rule 14.66(12) of the Listing Rules, the Company has received a letter of confirmation from the auditors regarding the statement on the adequacy of the Group's working capital.

IV. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Group 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. The Company's main businesses include wastewater treatment and supply of reclaimed water and running water, with its industrial chain extending from urban wastewater treatment to treatment of industrial wastewater and wastewater in towns and villages, running water supply, use of reclaimed water, sludge resource utilization, disposal of garbage and solid waste, water purification chemicals and water conservation.

For wastewater treatment business, as of 31 December 2023, the Group had a total of 39 wastewater treatment plants in operation (including 14 in the main urban area of Kunming and 25 in other areas of China), with a total wastewater treatment capacity of 2.0 million cubic meters per day. With our technologically advanced facilities, independently developed patents and strong management skills, we have been able to maintain low costs while providing high-quality wastewater treatment services. In the future, the Group will continue to maintain its advantages, continue to improve the level of operation and management services, and strengthen the development of high-quality wastewater projects.

For reclaimed water supply business, we carried out the reclaimed water business by relying on our own sewage treatment plants that provide entrusted operation services in operation. As of 31 December 2023, we had 12 reclaimed water stations and 2 second-stage booster pump stations. Meanwhile, we provided entrusted operation services for 5 reclaimed water stations/booster pump stations, with a total designed daily production capacity of reclaimed water facilities of 329,000 cubic meters. Benefiting from the Company's technological foundation, we are able to produce and supply different high-quality reclaimed water based on the different needs of our customers and increase economic benefits. In recent years, with the increase in market demand and as the government attaches great importance to the use of reclaimed water, the amount of reclaimed water used has been increasing year by year.

For running water supply business, as of 31 December 2023, we had 5 running water plants in operation in the PRC. The Company's running water supply business has also been developing steadily in recent years.

In the future, the Company will continue to cultivate its main wastewater treatment business, deploy high-quality projects, actively explore solid waste treatment and disposal, continue to develop new strategic businesses such as comprehensive use of high-quality reclaimed water and continue to build up its professional system service capability in the water industry. We will focus on stabilising operations, improving performance, grasping projects, expanding financing, promoting reform, strengthening the team, consolidating inventories, optimizing incremental growth, and coordinating sustainable high-quality development of the Company.

V. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2023, being the date of preparation of the latest published audited consolidated financial statements of the Group.

I. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

II. DISCLOSURE OF INTERESTS**1. Interests and Short Positions of Directors, Supervisors and Chief Executives of the Company in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations**

As at the Latest Practicable Date, none of the Directors, Supervisors or senior management of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 of the Listing Rules.

2. Interests of the Substantial Shareholders in the Shares and Underlying Shares of the Company

As at the Latest Practicable Date, so far as is known to any Director, the interests or short positions in the Shares or underlying shares of the Company of the following persons (other than Directors, Supervisors and chief executives of the Company) which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were entered in the register required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

Long positions

Name of Shareholder	Capacity/nature of interest	Class of Shares	Number of Shares held (share)	Approximate percentage of issued share capital of the Company as at the Latest Practicable Date
Kunming Dianchi Investment Co., Ltd. (昆明滇池投資有限責任公司)	Beneficial owner	Domestic Shares	627,253,548 (Note 2)	60.95%

Name of Shareholder	Capacity/nature of interest	Class of Shares	Number of Shares held (share)	Approximate percentage of issued share capital of the Company as at the Latest Practicable Date
Kunming Public Rental Housing Development and Construction Management Co., Ltd. (昆明市公共租賃住房開發建設管理有限公司)	Security interest	Domestic Shares	33,013,345 (Note 3)	3.21%
Kunming Industrial Development and Investment Co., Ltd.* (昆明產業開發投資有限責任公司)	Beneficial owner	H Shares	59,000,000 (Notes 4 and 6)	5.73%
Kunming Industrial Development and Construction Company Limited (昆明市產業開發建設有限責任公司)	Interest of controlled corporation	H Shares	59,000,000 (Notes 4 and 6)	5.73%
Kunming State-owned Assets Management and Operations Co., Ltd. (昆明市國有資產管理營運有限責任公司)	Beneficial owner	H Shares	39,790,000	3.87%
Yunnan Provincial Investment Holdings Group Co., Ltd. (雲南省投資控股集團有限公司)	Beneficial owner	H Shares	64,770,000	6.29%
Modern Orient Limited	Interest of controlled corporation	H Shares	47,754,000 (Notes 5 and 6)	4.64%
Beijing Enterprises Water Group Limited	Beneficial owner	H Shares	47,754,000 (Notes 5 and 6)	4.64%
Beijing Enterprises Investments Limited	Interest of controlled corporation	H Shares	47,754,000 (Notes 5 and 6)	4.64%
Beijing Enterprises Holdings Limited	Interest of controlled corporation	H Shares	47,754,000 (Notes 5 and 6)	4.64%
Beijing Enterprises Group Company Limited	Interest of controlled corporation	H Shares	47,754,000 (Notes 5 and 6)	4.64%
Beijing Enterprises Group (BVI) Company Limited	Interest of controlled corporation	H Shares	47,754,000 (Notes 5 and 6)	4.64%
Beijing Enterprises Environmental Construction Limited	Interest of controlled corporation	H Shares	47,754,000 (Notes 5 and 6)	4.64%

Notes:

- The data disclosed above are mainly based on information provided on the website of Hong Kong Stock Exchange (<https://www.hkexnews.hk>) and records of the register required to be kept by the Company under Section 336 of the SFO.
- Pursuant to the counter-guarantee contract signed by Kunming Dianchi Investment on 29 June 2022, Kunming Dianchi Investment pledged 33,013,345 Shares held by it as security for its debts. As at the Latest Practicable Date, a total of 660,266,893 Domestic Shares were held by Kunming Dianchi Investment, accounting for approximately 64.16% of the total issued Shares.

On 24 October 2022, Kunming Dianchi Investment pledged up to 198,080,068 Domestic Shares in the issued Shares in favour of Agricultural Bank of China Limited Kunming Dianchi National Tourism Resort Sub-branch (the “Lender”) as security for a loan facility in an aggregate amount of RMB200,000,000 provided by the Lender to the Company (please refer to the Company’s announcement dated 23 October 2022 for details).

On 31 August 2023, the Company received the Notice of Assistance in Enforcement from the Shanghai Financial Court (《上海金融法院協助執行通知書》) (“**Notice of Assistance in Enforcement I**”) and the Notice of Assistance in Enforcement from the People’s Court of Changchun Economic and Technological Development Zone (《長春經濟技術開發區人民法院協助執行通知書》) (“**Notice of Assistance in Enforcement II**”). According to the Notice of Assistance in Enforcement I, the Company was requested to assist in the enforcement of freezing of equity interest in the Company held by Kunming Dianchi Investment amounting to RMB250 million (accounting for 24.29% of the issued share capital of the Company) and relevant rights and interests including dividends. The freezing period was three years from 31 August 2023 to 30 August 2026. According to the Notice of Assistance in Enforcement II, the Company was requested to assist in the enforcement of seizure of equity interest in the Company held by Kunming Dianchi Investment (accounting for 60.951% of the issued share capital of the Company). The seizure period was three years from 31 August 2023 to 30 August 2026 (please refer to the Company’s announcement dated 1 September 2023 for details).

On 18 September 2023, the Company received the Notice of Assistance in Enforcement from the People’s Court of Panlong District, Kunming (《昆明市盤龍區人民法院協助執行通知書》), pursuant to which the Company was requested to assist in the enforcement of freezing of equity interest in the Company held by Kunming Dianchi Investment amounting to RMB123,530,242.28. The freezing period was three years from 18 September 2023 to 17 September 2026 (please refer to the Company’s announcement dated 19 September 2023 for details).

On 23 October 2023, the Company received the Notice of Assistance in Enforcement from the People’s Court of Xishan District, Kunming, Yunnan Province (《雲南省昆明市西山區人民法院協助執行通知書》), pursuant to which the Company was requested to assist in the enforcement of freezing 60.95% equity interests in the Company held by Kunming Dianchi Investment. The freezing period was three years from 23 October 2023 to 22 October 2026 (please refer to the Company’s announcement dated 24 October 2023 for details).

On 4 January 2024, the Company received the Notice of Assistance in Enforcement from the People’s Court of Xishan District, Kunming, Yunnan Province (《雲南省昆明市西山區人民法院協助執行通知書》), pursuant to which the Company was requested to assist in the enforcement of freezing 2.6236% equity interests in the Company held by Kunming Dianchi Investment amounting to RMB27 million. The freezing period was three years from 4 January 2024 to 3 January 2027 (please refer to the Company’s announcement dated 4 January 2024 for details).

On 25 January 2024, the Company received the Notice of Assistance in Enforcement from the People’s Court of Xishan District, Kunming, Yunnan Province (《雲南省昆明市西山區人民法院協助執行通知書》), pursuant to which the Company was requested to assist in the enforcement of the seizure and freezing of equity interest in the Company held by Kunming Dianchi Investment amounting to RMB200,107,000. The seizure and freezing period was three years from 25 January 2024 to 24 January 2027 (please refer to the announcement of the Company dated 25 January 2024 for details).

3. Pursuant to the counter-guarantee contract signed between Kunming Public Rental Housing Development and Construction Management Co., Ltd. and Kunming Dianchi Investment on 29 June 2022, Kunming Public Rental Housing Development and Construction Management Co., Ltd. has a security interest in the 33,013,345 Shares held by Kunming Dianchi Investment.
4. Such 59,000,000 Shares belong to the same batch of Shares.
5. Such 47,754,000 Shares belong to the same batch of Shares.
6. Pursuant to Section 336 of the SFO, if certain conditions are fulfilled, the Shareholders are required to submit a form for disclosure of interests. In the event of changes in the shareholding of the Shareholders in the Company, the Shareholders will not be required to notify the Company and the Hong Kong Stock Exchange unless certain conditions are met. Therefore, the latest shareholding of the Shareholders in the Company may be different from the shareholding submitted to the Hong Kong Stock Exchange.

Save as disclosed above, as of 31 December 2023, the Company is not aware of any other persons (other than the Directors, Supervisors and chief executives of the Company) who have interest or short positions in the Shares or underlying shares of the Company which are required to be recorded in the register under Section 336 of the SFO.

III. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

As at the Latest Practicable Date, none of the Directors or Supervisors had entered into or proposed to enter into any service contract with any member of the Group which is not expiring within one year or determinable by the Group within one year without payment of compensation (other than statutory compensation).

IV. COMPETING INTERESTS OF DIRECTORS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors and their respective close associates had any interest in any business (other than the Group's business) which competes or is likely to compete, either directly or indirectly, with the business of the Group (as would be required to be disclosed pursuant to Rule 8.10 of the Listing Rules if they were controlling Shareholders).

V. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS OF THE GROUP

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2023 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

None of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant to the businesses of the Group.

VI. DIRECTORS' AND SUPERVISORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDERS

The followings are the particulars of Directors' and Supervisors' employment with substantial Shareholders (holding interests or short positions in the Shares and underlying shares of the Company required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO) as at the Latest Practicable Date:

Mr. Zeng Feng, an executive Director, serves as a director of Kunming Dianchi Investment.

Mr. Xu Jingdong, a non-executive Director, serves as a director and the deputy general manager of Kunming Dianchi Investment.

VII. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) had been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date and are or may be material or of significance:

- (a) On 9 June 2022, the Company entered into the Entrusted Loan Contract with Kunming Urban Investment and Panlong District Rural Credit Cooperative, pursuant to which the Company entrusted Panlong District Rural Credit Cooperative to provide entrusted loan of RMB310 million to Kunming Urban Investment with a term of 12 months and an interest rate of 8.5% per annum. On 9 June 2023, the parties entered into the Entrusted Loan Extension Agreement I for the Entrusted Loan Contract dated 9 June 2022 to extend the term of RMB180 million of the principal amount thereunder to 8 June 2024. On 29 April 2024, the parties entered into the Entrusted Loan Extension Agreement II for the Entrusted Loan Contract on 9 June 2022 and the Entrusted Loan Extension Agreement I on 9 June 2023 to extend the term of RMB180 million of the principal amount to 7 June 2026. As at the Latest Practicable Date, the Entrusted Loan Extension Agreement II and the transactions thereunder are subject to the approval of the Shareholders (please refer to the Company's announcements disclosed on the websites of the Stock Exchange and the Company on 9 June 2022, 16 June 2022, 9 June 2023, 12 June 2023 and 29 April 2024 for details);
- (b) On 29 June 2022, the Company, the People's Government of Suncun Town, Fanchang District* (繁昌區孫村鎮人民政府) and Fanchang Dianchi Water Treatment Co., Ltd.* (繁昌縣滇池水務有限公司) entered into the equity transfer agreement, pursuant to which the Company conditionally agreed to sell and the People's Government of Suncun Town, Fanchang District conditionally agreed to acquire 100% equity interest in Fanchang Dianchi Water Treatment Co., Ltd. for an estimated consideration of not more than RMB163 million (please refer to the Company's announcements disclosed on the websites of the Stock Exchange and the Company on 29 June 2022 and 7 July 2022 for details);
- (c) On 24 October 2022, the Company entered into the Entrusted Loan Contract with Kunming Development and Investment Group Co., Ltd.* (昆明發展投資集團有限公司) and Kunming Chenggong District Rural Credit Cooperative* (昆明市呈貢區農村信用合作聯社), pursuant to which the Company entrusted Kunming Chenggong District Rural Credit Cooperative to provide a RMB200 million entrusted loan to Kunming Development and Investment Group Co., Ltd. for a term from 24 October 2022 to 24 September 2023 with an interest rate of 8.5% per annum. On 22 September 2023, the Company entered into the Entrusted Loan Extension Agreement and the Supplemental Entrusted Loan Extension Agreement with Kunming Development and Investment Group Co., Ltd. and Kunming Chenggong District Rural Credit Cooperative to extend the term of the entrusted loan with principal amount of RMB200 million under the Entrusted Loan Contract dated 24 October 2022 to 24 August 2024 (please refer to the Company's announcements and circular disclosed on the websites of the Stock Exchange and the Company on 24 October 2022, 22 September 2023 and 25 October 2023 for details, respectively);

- (d) On 16 June 2023, the Company entered into the entrusted loan contract with Kunming Anju Group Co., Ltd.* (昆明市安居集團有限公司) and Jinma Branch of Kunming Guandu Rural Cooperative Bank* (昆明官渡農村合作銀行金馬支行), pursuant to which the Company entrusted Jinma Branch of Kunming Guandu Rural Cooperative Bank to provide entrusted loan of RMB80 million to Kunming Anju Group Co., Ltd. with a term of 12 months and an interest rate of 8.5% per annum (please refer to the Company's announcement disclosed on the websites of the Stock Exchange and the Company on 16 June 2023 for details);
- (e) On 20 June 2023, the Company entered into a supplemental agreement to the finance lease agreement dated 24 December 2021 with Industrial Bank Financial Leasing Co., Ltd., to adjust and supplement the finance lease term, interest rate and rental payment arrangement (please refer to the Company's announcements and circulars disclosed on the websites of the Stock Exchange and the Company on 24 December 2021, 24 February 2022, 20 June 2023 and 24 August 2023 for details);
- (f) On 15 September 2023, the Company, the People's Government of Malong District, Qujing City, Yunnan Province, Qujing Zefeng Water Co., Ltd.* (曲靖澤豐水務有限公司) and Qujing Dianchi Water Treatment Co., Ltd.* (曲靖滇池水務有限公司) entered into the equity transfer agreement, pursuant to which, the Company has conditionally agreed to sell and the People's Government of Malong District, Qujing City, Yunnan Province and Qujing Zefeng Water Co., Ltd. have conditionally agreed to purchase 100% equity interest in Qujing Dianchi Water Treatment Co., Ltd. at an estimated consideration of up to RMB151,153,900 (please refer to the Company's announcement disclosed on the websites of the Stock Exchange and the Company on 15 September 2023 for details);
- (g) On 20 December 2023, the Company (as the transferor), Hunan Zhihong Paper Co., Ltd.* (湖南志鴻紙業有限公司) (as the transferee) and Liuyang Hongyu Thermal Power Co., Ltd.* (瀏陽市宏宇熱電有限公司) (as the target company) entered into the equity transfer agreement, pursuant to which the Company has conditionally agreed to sell and the transferee has conditionally agreed to purchase 100% equity interest in Hongyu Thermal Power, at a consideration comprising the equity transfer price of RMB43.5787 million and the principal amount of the loan of RMB5.02 million provided by the Company to Hongyu Thermal Power together with interest thereon, of which the interest on the loan shall be determined based on the amount calculated up to the date of actual repayment, and it is estimated that the total consideration will not exceed RMB48.756 million (please refer to the Company's announcements disclosed on the websites of the Stock Exchange and the Company on 20 December 2023 and 27 December 2023 for details);

- (h) On 29 December 2023, the Company (as the transferor), Sichuan Development Guorun Water (as the transferee) and the target company referred to in this circular entered into the equity transfer agreements, respectively, pursuant to which the Company has conditionally agreed to sell and the transferee has conditionally agreed to purchase the disposal interest, at a consideration comprising the equity transfer price of the disposal interest in the sum of approximately RMB242,762,100 and the interest of approximately RMB2,412,600 in total as agreed to be calculated based on the price to be paid by the transferee in instalments, of which the interest as agreed to be calculated based on the price to be paid by the transferee in instalments shall be subject to the final actual calculated amount, and it is estimated that the total consideration will not exceed RMB245,174,700 (please refer to the Company's announcement and circular disclosed on the websites of the Stock Exchange and the Company on 29 December 2023 and 7 February 2024 for details);
- (i) On 8 April 2024, the Company, Dianchi International Holdings Limited, a subsidiary of the Company, Dianchi Water (Laos) Wholly-owned Limited Company, a subsidiary of the Company (as the project company) and the Administrative Committee of Bokeo Special Economic Zone in Laos entered into the Concession Termination Agreement. Pursuant to which, the Company and the Administrative Committee of Bokeo Special Economic Zone in Laos agreed to terminate the Concession Contracts signed by both parties. The Company is entitled to receive, and the Administrative Committee of Bokeo Special Economic Zone in Laos is obliged to pay the corresponding consideration to the Company or the subsidiary designated by the Company in accordance with the relevant provisions of the Concession Termination Agreement, the total consideration was RMB51,141,888.60 (please refer to the Company's announcement disclosed on the websites of the Stock Exchange and the Company on 8 April 2024 for details); and
- (j) On 29 April 2024, the Company entered into the Mutual Guarantee Agreement with Kunming Water Supply Group Co., Ltd., pursuant to which the Company and Kunming Water Supply Group agreed to provide guarantees in respect of the liabilities relating to the loans obtained by the other party for a cumulative amount of not more than RMB500 million each, which shall be non-recurring upon full utilization of the amount, and the term of the guarantees to be provided in respect of each loan shall not be more than five years from the date of signing of each loan guarantee agreement (please refer to the Company's announcement disclosed on the websites of the Stock Exchange and the Company on 29 April 2024 for details).

VIII. LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, no member of the Group was involved in any litigation or claims of material importance and no litigation or claims of material importance was pending or threatened against any member of the Group.

IX. GENERAL

- (a) The Company's registered office and headquarters in the PRC is located at Wastewater Treatment Plant No. 7, Kunming Dianchi Tourist Resort, Yunnan Province, the PRC and its principal place of business in Hong Kong is located at Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.
- (b) The Company's H Share Registrar is Tricor Investor Services Limited which is located at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (c) The company secretary of the Company is Mr. Chiu Ming King, FCG, FCS.

X. DOCUMENTS FOR INSPECTION

Copies of the Entrusted Loan Agreement, Entrusted Loan Extension Agreement I and Entrusted Loan Extension Agreement II will be published on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<https://www.kmdcwt.com>) for a period of 14 days from the date of this circular.

* *For identification purposes only*

NOTICE OF 2024 SECOND EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF 2024 SECOND EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 2024 second extraordinary general meeting (the “EGM”) of Kunming Dianchi Water Treatment Co., Ltd. (the “**Company**”) will be held at 2:30 p.m. on Tuesday, 4 June 2024 at the meeting room of the Company on the 1st floor at Wastewater Treatment Plant No. 7, Kunming Dianchi Tourist Resort, Yunnan Province, the PRC, for the following purpose. Unless otherwise specified, capitalized terms used in this notice shall have the same meanings as defined in the circular of the Company dated 17 May 2024.

AS AN ORDINARY RESOLUTION

1. To consider and approve the extension of the entrusted loan of RMB180 million granted to Kunming Urban Investment under the Entrusted Loan Contract, the Entrusted Loan Extension Agreement I and the Entrusted Loan Extension Agreement II entered into by the Company with Kunming Urban Investment and Panlong District Rural Credit Cooperative on 9 June 2022, 9 June 2023 and 29 April 2024, respectively, to 7 June 2026.

By order of the Board
Kunming Dianchi Water Treatment Co., Ltd.
Zeng Feng
Chairperson

Kunming, the PRC
17 May 2024

NOTICE OF 2024 SECOND EXTRAORDINARY GENERAL MEETING

Notes:

1. According to the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Accordingly, the resolution set out in the notice of EGM will be voted by poll. Results of the poll voting will be published on the Company's website at www.kmdcwt.com and the HKExnews website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk after the EGM.
2. Any Shareholder entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a Shareholder of the Company.
3. In order to be valid, the instrument appointing a proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or authority, must be completed and returned to the Company's registered office and headquarters in the PRC (for holders of Domestic Shares) or the H Share Registrar of the Company, Tricor Investor Services Limited (for holders of H Shares), at least 24 hours before the EGM (i.e. before 2:30 p.m. on Monday, 3 June 2024) or any adjourned meeting thereof. Tricor Investor Services Limited is located at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong. Completion and return of a proxy form will not preclude a Shareholder from attending and voting in person at the EGM or any adjourned meeting thereof should he/she so wish.
4. For the purpose of determining the list of holders of H Shares who are entitled to attend the EGM, the H Share register of members of the Company will be closed from Wednesday, 15 May 2024 to Tuesday, 4 June 2024 (both days inclusive). The holders of H Shares who wish to attend the EGM are required to submit the share certificates together with the transfer documents to the H Share Registrar of the Company, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Tuesday, 14 May 2024 for registration. Holders of H Shares of the Company who are registered with Tricor Investor Services Limited on or before the above date are entitled to attend the EGM.
5. In case of joint shareholdings, if more than one of them are presented at the meeting, either in person or by proxy, the vote of the senior joint Shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint Shareholder(s) and for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint shareholding.
6. The EGM is expected to be held for less than half a day. Shareholders who attend the meeting in person or by proxy shall bear their own travelling and accommodation expenses.
7. A Shareholder or his proxy should produce proof of identity when attending the EGM.
8. The Company's registered office and headquarters in the PRC is Wastewater Treatment Plant No. 7, Kunming Dianchi Tourist Resort, Yunnan Province, the PRC.
9. All references to dates and time in this notice are to Hong Kong dates and time.

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