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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 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)

**MAJOR TRANSACTION
ENTERING INTO THE MUTUAL GUARANTEE AGREEMENT WITH
KUNMING WATER SUPPLY GROUP**

A letter from the Board is set out on pages 3 to 8 of this circular.

The transaction being the subject matter of this circular has been approved by written Shareholders' approval pursuant to the Listing Rules and this circular is being despatched to the Shareholders for information only.

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DEFINITIONS

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

“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
“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
“Mutual Guarantee Agreement”	the mutual guarantee agreement entered into by the Company with Kunming Water Supply Group on 29 April 2024
“Mutual Guarantee Transaction”	the transaction contemplated under the Mutual Guarantee Agreement
“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 Water Supply Group”	Kunming Water Supply Group Co., Ltd.* (昆明自來水集團有限公司), a company established in Yunnan Province, the PRC with limited liability on 19 April 1983, which is directly held as to 100% by Kunming SASAC and is not a connected person as defined in the Listing Rules as at the Latest Practicable Date

DEFINITIONS

“Latest Practicable Date”	22 May 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“PRC” or “China”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Shareholder(s)”	shareholder(s) of the Company
“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
“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

22 May 2024

To the Shareholders

Dear Sirs and Madams,

MAJOR TRANSACTION **ENTERING INTO THE MUTUAL GUARANTEE AGREEMENT WITH** **KUNMING WATER SUPPLY GROUP**

I. INTRODUCTION

Reference is made to the announcement of the Company dated 29 April 2024 in relation to the entering into of the Mutual Guarantee Agreement by the Company with Kunming Water Supply Group on 29 April 2024, 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.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with (i) the details of the Mutual Guarantee Agreement; and (ii) other information required to be disclosed under the Listing Rules.

II. MUTUAL GUARANTEE AGREEMENT

Salient terms of the Mutual Guarantee Agreement are summarized below:

Date:	29 April 2024
Parties:	(i) the Company; and (ii) Kunming Water Supply Group
Mutual guarantee amount:	The Mutual Guarantee Transaction is subject to balance control and the principle of equal amount, and the cumulative amount of the guarantee provided by each party to the other shall not exceed RMB500 million (the “ Maximum Amount of Mutual Guarantee ”), which shall be non-recurring upon full utilization of the amount. The mutual guarantee amount is applicable to all loans released or credit facilities granted during the term of the mutual guarantee under the financing contracts entered into by each party with its creditors.
Term of mutual guarantee:	The term of the guarantee 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.
Guarantee fee:	No guarantee fee will be charged by the guarantor within the term and the scope of mutual guarantee set out in the Mutual Guarantee Agreement.
Scope of mutual guarantee:	All debts under the financing contracts entered into by each party with its creditors and the guarantee contracts/terms entered into with banks or relevant financial institutions pursuant to the Mutual Guarantee Agreement, including but not limited to principal, interest, punitive (compound) interest, liquidated damages, damages, and various ancillary costs. The subjects of the mutual guarantee include the parties or the absolutely controlled subsidiaries of each party.

LETTER FROM THE BOARD

Guarantee liability and its
recourse:

If any party violates its obligations under the financing contract entered into with its creditors, it shall notify the guarantor in a timely manner within the time limit stipulated in the Mutual Guarantee Agreement. In addition, if losses are incurred to the guarantor as a result of the guarantor's performance of its guarantee obligations, the guaranteed party shall provide timely compensation (including but not limited to: principal and interest, and liquidated damages, damages, interest and punitive interest due to breach of financing contracts entered into with its creditors, as well as litigation/arbitration fees, attorney's fees, travel expenses, appraisal fees, auction fees, etc., incurred by the guarantor in relation to the guarantee obligations or the realization of guaranteed claims). The compensation paid by the guaranteed party shall cover 100% of the amounts borne by the guarantor.

The Company and Kunming Water Supply Group did not make a specific agreement regarding the compensation period in the Mutual Guarantee Agreement. The parties will agree on the specific compensation period in the financing contracts subsequently entered into with their respective creditors and in the guarantee contracts subsequently entered into with banks or relevant financial institutions pursuant to the Mutual Guarantee Agreement.

Conditions of effectiveness:

The Mutual Guarantee Agreement shall become effective upon signing by both parties and approval by the Shareholders.

LETTER FROM THE BOARD

III. BASIS OF DETERMINING THE MAXIMUM AMOUNT OF MUTUAL GUARANTEE

The Maximum Amount of Mutual Guarantee was determined through negotiation between the Company and Kunming Water Supply Group and with reference to the amount of existing guarantees provided by Kunming Water Supply Group to the Company.

IV. REASONS FOR AND BENEFITS OF ENTERING INTO THE MUTUAL GUARANTEE AGREEMENT

As of the Latest Practicable Date, Kunming Water Supply Group has provided guarantees for the financing loans of the Company totaling approximately RMB389 million (after entering into the Mutual Guarantee Agreement, the guarantees previously provided by Kunming Water Supply Group in respect of the Company's financing loans will be included in the scope of the Mutual Guarantee Agreement). By entering into the Mutual Guarantee Agreement, in return for the Company's agreeing to provide guarantees for loans made by Kunming Water Supply Group, Kunming Water Supply Group agrees to provide guarantees for new loans taken out by the Company should the need arises, which will further release the Company's financing capabilities. In order to promote mutual benefits and a win-win situation for both parties, the entering into of the Mutual Guarantee Agreement will increase the opportunities for innovative financing methods and business cooperation between the Company and Kunming Water Supply Group.

Kunming Water Supply Group is a comprehensive large-scale water supply corporation, and is responsible for the water supply for production, living and fire-fighting of approximately 5 million people in Kunming. Based on the Company's understanding of the operations and business development of Kunming Water Supply Group, Kunming Water Supply Group primarily derives its operating income from the water fees received from the water consumers directly, which generates continuous and stable cash inflows. According to the latest audited financial report of Kunming Water Supply Group, as at 31 December 2023, its total assets amounted to approximately RMB18.8 billion, and its monetary funds amounted to approximately RMB960 million which were sufficient to cover the entire mutual guarantee amount. In addition, through open market enquiries, there are currently no circumstances that may adversely affect Kunming Water Supply Group's ability to continue its operations, such as breach of contract and material litigations. After making a holistic assessment, the Board is of the view that the overall credit risk of Kunming Water Supply Group is controllable.

Mr. Ong King Keung did not attend the current Board meeting to consider the Mutual Guarantee Transaction as he was on leave due to his personal business arrangement. All Directors who attended the current Board meeting to consider the Mutual Guarantee Transaction are of the view that the terms of the Mutual Guarantee Transaction and the Mutual Guarantee Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

V. FINANCIAL IMPACT

According to the relevant provisions of the International Financial Reporting Standards, where the Company provides external financial guarantees, if the debtor fails to fulfil its obligation to repay the principal and interest and the Company is required by the creditor to perform the guarantee obligation, the Company will recognise a liability when the conditions for liability recognition as required by the relevant accounting standards are met, and if the Company has fulfilled its guarantee obligation without compensation from the debtor, the Company's profit will be reduced. Before the abovementioned circumstances transpire, the entering into of the Mutual Guarantee Agreement and the Mutual Guarantee Transaction contemplated thereunder will not have any financial impact on the Company.

VI. DETAILS OF THE PARTIES TO THE MUTUAL GUARANTEE AGREEMENT

The Company

The Company, a joint stock company incorporated in the PRC with limited liability, 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 Water Supply Group

Kunming Water Supply Group, a company incorporated in the PRC with limited liability, is a comprehensive large-scale water supply corporation providing a wide range of services including water source development, water supply production and operation, water quality monitoring, water supply engineering design and construction, etc., and is owned as to 100% by Kunming SASAC. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiry, as at the Latest Practicable Date, Kunming Water Supply Group is not a connected person of the Company as defined under the Listing Rules.

VII. LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Mutual Guarantee Agreement and the Mutual Guarantee Transaction contemplated thereunder are more than 25%, it constitutes a major transaction of the Company and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval may be obtained by written Shareholders' approval without convening a general meeting. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Mutual Guarantee Agreement and the Mutual Guarantee Transaction contemplated thereunder. Accordingly, no Shareholder is required to abstain from voting if a general meeting was to be convened to approve the entering into of the Mutual Guarantee Agreement and the Mutual Guarantee Transaction contemplated thereunder.

LETTER FROM THE BOARD

As at the Latest Practicable Date, Kunming Dianchi Investment is directly interested in 660,266,893 Shares (representing approximately 64.16% of the total number of issued Shares). As the Company has obtained the written approval from Kunming Dianchi Investment, the Company will not convene an extraordinary general meeting for the purpose of approving the entering into of the Mutual Guarantee Agreement and the Mutual Guarantee Transaction contemplated thereunder in accordance with Rule 14.44 of the Listing Rules.

VIII. RECOMMENDATIONS

The Board considers that the Mutual Guarantee Agreement and the Mutual Guarantee Transaction contemplated thereunder are entered into on an arm's length basis and on normal commercial terms, which are fair and reasonable and in the best interests of the Group and the Shareholders as a whole. Accordingly, if a general meeting was convened for the purpose of approving the entering into of the Mutual Guarantee Agreement and the Mutual Guarantee Transaction contemplated thereunder, the Board will recommend the Shareholders to vote in favour of the resolution to approve the entering into of the Mutual Guarantee Agreement and the Mutual Guarantee Transaction contemplated thereunder at the relevant general meeting.

IX. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
On behalf of the Board
Kunming Dianchi Water Treatment Co., Ltd.
Zeng Feng
Chairperson and executive Director

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. As of 31 December 2023, we had 12 reclaimed water stations and 2 second-stage booster pump stations in operation. 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)	Date	Approximate percentage of issued share capital of the Company as at the Latest Practicable
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 Stock Exchange (<https://www.hkexnews.hk>) and records of the register required to be kept by the Company under Section 336 of the SFO.

2. 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).

On 9 May 2024, the Company noted that the People’s Court of Xishan District, Kunming published an auction announcement on the Alibaba Online Judicial Auction Platform in relation to the judicial auction to be conducted on such platform regarding the 245,520,000 Shares held by Kunming Dianchi Investment (please refer to the announcement of the Company dated 9 May 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 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 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 Construction and Investment Development Co., Ltd.* (昆明市城建設投資開發有限責任公司) and Kunming Panlong District Rural Credit Cooperative* (昆明市盤龍區農村信用合作聯社), pursuant to which the Company entrusted Kunming Panlong District Rural Credit Cooperative to provide entrusted loan of RMB310 million to Kunming Urban Construction and Investment Development Co., Ltd. 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, 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, Kunming City, 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

Copy of the Mutual Guarantee Agreement 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*