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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 – TRANSACTIONS UNDER
THE FINANCE LEASE SUPPLEMENTAL AGREEMENT II;
(2) PROPOSED ADJUSTMENT TO THE REMUNERATION OF
CERTAIN INDEPENDENT NON-EXECUTIVE DIRECTOR;
(3) PROPOSED APPOINTMENT OF
INDEPENDENT NON-EXECUTIVE DIRECTOR;
AND
(4) 2025 SECOND EXTRAORDINARY GENERAL MEETING**

The EGM will be held at 2:30 p.m. on Tuesday, 23 December 2025 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 39 to 40 of this circular. Proxy form for use at the EGM is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.kmdcwt.com).

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 not less than 24 hours before the time fixed for holding the EGM (i.e. before 2:30 p.m. on Monday, 22 December 2025) 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.

5 December 2025

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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 of the Company
“Company”	Kunming Dianchi Water Treatment Co., Ltd. (昆明滇池水務股份有限公司), a joint stock company established 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)”	the 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 2025 second extraordinary general meeting of the Company to be held at 2:30 p.m. on Tuesday, 23 December 2025 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
“Finance Lease Agreement”	the Finance Lease Agreement dated 24 December 2021 entered into between the Company and Industrial Bank Financial Leasing
“Finance Lease Arrangement”	the arrangements under the terms of the Finance Lease Agreement and the Supplemental Agreement I and the Supplemental Agreement II
“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 dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Industrial Bank Financial Leasing”	Industrial Bank Financial Leasing Co., Ltd. (興業金融租賃有限責任公司), a company incorporated in the PRC with limited liability and a third party independent of the Company and its connected persons

DEFINITIONS

“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 the controlling Shareholder of the Company
“Latest Practicable Date”	1 December 2025, being the latest practicable date prior to the publication of this circular for ascertaining certain information contained herein
“Leased Assets”	certain assets of wastewater treatment and other equipment and facilities in which the Company has sole ownership and disposal rights as specified under the Finance Lease Agreement
“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, supplemented or otherwise modified from time to time
“Shareholder(s)”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in the Listing Rules
“Supplemental Agreement I”	the Supplemental Agreement dated 20 June 2023 entered into between the Company and Industrial Bank Financial Leasing in relation to the Finance Lease Agreement
“Supplemental Agreement II”	the Supplemental Agreement dated 10 November 2025 entered into between the Company and Industrial Bank Financial Leasing in relation to the Finance Lease Agreement and the Supplemental Agreement I
“%”	per cent.

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*)

Ms. Lian Zhaoju

Non-executive Directors:

Mr. Xu Jingdong

Ms. Cheng Yijing

Ms. Gao Yuan

Independent non-executive Directors:

Mr. Zha Guiliang

Dr. Chan Ho Wah Terence

*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

5 December 2025

To the Shareholders

Dear Sirs and Madams,

**(1) MAJOR TRANSACTION – TRANSACTIONS UNDER
THE FINANCE LEASE SUPPLEMENTAL AGREEMENT II;
(2) PROPOSED ADJUSTMENT TO THE REMUNERATION OF
CERTAIN INDEPENDENT NON-EXECUTIVE DIRECTOR;
(3) PROPOSED APPOINTMENT OF
INDEPENDENT NON-EXECUTIVE DIRECTOR;
AND
(4) 2025 SECOND EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

On behalf of the Board, I invite you to attend the EGM to be held at 2:30 p.m. on Tuesday, 23 December 2025 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 resolutions at the EGM.

LETTER FROM THE BOARD

2. BUSINESSES TO BE CONSIDERED AT THE EGM

The businesses to be considered at the EGM are described in more details in the notice of the EGM as set out on pages 39 to 40 of this circular.

Resolutions to be proposed at the EGM and passed as ordinary resolutions include:

- (a) To consider and approve the adjustments and supplements to the lease term and rental payment arrangement etc. of the Finance Lease Arrangement pursuant to the Finance Lease Agreement, the Supplemental Agreement I and the Supplemental Agreement II entered into between the Company and Industrial Bank Financial Leasing on 24 December 2021, 20 June 2023 and 10 November 2025, respectively;
- (b) To consider and approve the adjustment to the remuneration of Mr. Zha Guiliang, an independent non-executive Director; and
- (c) To consider and approve the appointment of Ms. Fu Jifang as an independent non-executive Director.

In order to enable you to have a better understanding of the resolutions 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 detailed information in this circular.

3. BUSINESSES AT THE EGM

3.1 To consider and approve the adjustments and supplements to the lease term and rental payment arrangement etc. of the Finance Lease Arrangement pursuant to the Finance Lease Agreement, the Supplemental Agreement I and the Supplemental Agreement II entered into between the Company and Industrial Bank Financial Leasing on 24 December 2021, 20 June 2023 and 10 November 2025, respectively

References are made to the announcements of the Company dated 24 December 2021 and 20 June 2023, respectively (the “**Announcements**”) and the circulars of the Company dated 25 February 2022 and 25 August 2023, respectively (the “**Circulars**”) in relation to (i) the entering into of the Finance Lease Agreement between the Company and Industrial Bank Financial Leasing on 24 December 2021, pursuant to which Industrial Bank Financial Leasing agreed to purchase the Leased Assets from the Company at a purchase price of RMB400 million, and lease back the Leased Assets to the Company for a term of five years; and (ii) the entering into of the Supplemental Agreement I between the Company and Industrial Bank Financial Leasing in respect of the Finance Lease Agreement on 20 June 2023 to extend the lease term from 60 months to 71 months and extend the expiration date to 26 November 2027 accordingly, change the Lease Period from 10 Lease Periods to 12 Lease Periods, and adjust and supplement the rental payment arrangement, lease interest rate and guarantee.

LETTER FROM THE BOARD

After arm's length negotiations, the Company entered into the Supplemental Agreement II with Industrial Bank Financial Leasing on 10 November 2025 (after trading hours) to adjust and supplement the lease term and rental payment arrangement etc. of the Finance Lease Agreement, the Supplemental Agreement I and the Finance Lease Arrangement thereunder. Specifically, the lease term was extended from 71 months to 107 months, the expiration date was extended to 26 November 2030 accordingly, the Lease Period was changed from 12 Lease Periods to 19 Lease Periods, and adjustments and supplements were made to the rental payment arrangements, including the amount of each instalment of rent principal payment during the remaining Lease Periods. Except for the amendments and supplements specified in the Supplemental Agreement II, other terms and conditions of the Finance Lease Agreement and the Supplemental Agreement I remain unchanged.

(1) Finance Lease Agreement and its Supplemental Agreement I and Supplemental Agreement II

Except for the amendments and supplements specified in the Supplemental Agreement II, all other terms and conditions of the Finance Lease Agreement and the Supplemental Agreement I shall continue to apply to the Finance Lease Arrangement. The principal terms of the Finance Lease Agreement, the Supplemental Agreement I and the Supplemental Agreement II are set out below:

	Finance Lease Agreement	Supplemental Agreement I	Supplemental Agreement II
Date:	24 December 2021	20 June 2023	10 November 2025
Parties:	(i) Industrial Bank Financial Leasing, as lessor and purchaser; and (ii) the Company, as lessee and seller.	(i) Industrial Bank Financial Leasing, as lessor and purchaser; and (ii) the Company, as lessee and seller.	(i) Industrial Bank Financial Leasing, as lessor and purchaser; and (ii) the Company, as lessee and seller.
Leased Assets:	Certain assets of wastewater treatment and other equipment and facilities in which the Company has sole ownership and disposal rights, which will be firstly purchased from the Company by Industrial Bank Financial Leasing and leased back to the Company.	No change.	No change.

LETTER FROM THE BOARD

	Finance Lease Agreement	Supplemental Agreement I	Supplemental Agreement II
Purchase price and delivery:	<p>RMB400 million. Such amount was determined by the Company and Industrial Bank Financial Leasing after arm's length negotiation with reference to (i) the carrying value of the Leased Assets; (ii) the amount of financing required by the Company under the Finance Lease Arrangement; and (iii) the prevailing interest rate of the Finance Lease Arrangement offered by Industrial Bank Financial Leasing to its customers.</p> <p>The Directors consider that the purchase price is fair and reasonable as the financing ratio of approximately 92.80% based on the Finance Lease Agreement is within the normal range of financing ratios for other finance lease arrangements offered by Industrial Bank Financial Leasing to other third parties.</p>	<p>Industrial Bank Financial Leasing has paid in full to the Company the purchase price as agreed in the Finance Lease Agreement in accordance with the relevant provisions of the Finance Lease Agreement and no additional purchase price is required to be paid for the entering into of the Supplemental Agreement I.</p>	<p>Industrial Bank Financial Leasing has paid in full to the Company the purchase price as agreed in the Finance Lease Agreement in accordance with the relevant provisions of the Finance Lease Agreement and no additional purchase price is required to be paid for the entering into of the Supplemental Agreement II.</p>

LETTER FROM THE BOARD

Finance Lease Agreement

Supplemental Agreement I

Supplemental Agreement II

The purchase price shall be paid to the Company by instalment within 30 business days after fulfillment of the conditions precedent to payment under the Finance Lease Agreement, and such conditions include but are not limited to the execution of the Finance Lease Agreement by both parties, Industrial Bank Financial Leasing having received a debit mandate from the Company in respect of the lease handling fee under the Finance Lease Agreement, Industrial Bank Financial Leasing having received a valid resolution from the Company's authorized entity approving the transaction under the Finance Lease Agreement, and if the transfer of title of the Leased Assets requires relevant registration procedures, the Company having completed such registration procedures.

LETTER FROM THE BOARD

	Finance Lease Agreement	Supplemental Agreement I	Supplemental Agreement II
Lease term and payment arrangement:	<p>60 months from the lease commencement date. The lease commencement date is the date on which Industrial Bank Financial Leasing pays the first instalment of purchase price of the Leased Assets to the Company.</p> <p>The lease term is divided into ten consecutive lease periods (“Lease Period(s)”) of six months each. The first Lease Period shall commence on the lease commencement date and end on the 19th calendar day of the sixth month following the lease commencement date, and each subsequent Lease Period shall commence on the day following the end of the previous Lease Period and end on the day immediately preceding the calendar day corresponding to such day (i.e., the day following the end of the previous Lease Period) six months later, provided that the last Lease Period shall commence on the day following the end of the previous Lease Period and end on the last day of the entire lease term.</p>	<p>The lease term was extended from 60 months to 71 months and the expiration date was extended to 26 November 2027 accordingly. The Lease Period was changed from 10 Lease Periods to 12 Lease Periods.</p> <p>The start and end dates of the 1st to 3rd Lease Periods and the Rent Payment Date shall not be adjusted. The start date of the 4th Lease Period shall not be adjusted and its end date shall be adjusted to 9 November 2023, with each subsequent Lease Period commencing on the day after the end of the previous Lease Period and ending on the day before the calendar date corresponding to such date six months later (i.e., the day after the end of the previous Lease Period), provided that the last Lease Period shall commence on the day after the end of the previous Lease Period and end on the last day of the entire lease term; the rent applicable to each Lease Period shall be payable on the day following the date of expiration of such Lease Period (the “Rent Payment Date”).</p>	<p>The lease term was extended from 71 months to 107 months and the expiration date was extended to 26 November 2030 accordingly. The Lease Period was changed from 12 Lease Periods to 19 Lease Periods.</p> <p>The payment date shall be the 10th day of the respective payment month, and for the 19th Lease Period, payment shall be made on the day following the date of expiration of such Lease Period.</p>

LETTER FROM THE BOARD

Finance Lease Agreement

Supplemental Agreement I

The Company shall repay the lease costs of RMB3 million, RMB5 million and RMB20 million, respectively, on the Rent Payment Date of the 3rd to 5th Lease Periods, in addition to the lease interest for the period; the rent for the 6th to 12th Lease Periods are calculated on the basis of equal principal and interest method, and the Company shall pay the corresponding rent on the Rent Payment Date of each Lease Period.

Supplemental Agreement II

For the 9th Lease Period, principal of RMB4 million and relevant interests shall be repaid on 10 November 2025; for the 10th Lease Period, principal of RMB8 million and relevant interests shall be repaid on 10 May 2026; for the 11th to 13th Lease Periods, principal of RMB20 million and relevant interests shall be repaid for each period; for the 14th to 18th Lease Periods, principal of RMB24 million and relevant interests shall be repaid for each period; and for the 19th Lease Period, the remaining principal and interests shall be repaid.

LETTER FROM THE BOARD

Finance Lease Agreement	Supplemental Agreement I	Supplemental Agreement II
Rent payments during the Lease Periods are to be made according to the following schedule (the rent payments for Instalments 1-10 are estimated based on the applicable interest rate determined pursuant to the Finance Lease Agreement on the date of its signing):	Rent payments during the Lease Periods are made/ to be made according to the following schedule (the rent payments for Instalments 1-3 are calculated based on the interest rate specified in the Finance Lease Agreement and were actually paid by the Company to Industrial Bank Financial Leasing, and the rent payments for Instalments 4-12 are estimated based on the applicable interest rate on the date of signing the Supplemental Agreement I):	Rent payments during the Lease Periods are made/ to be made according to the following schedule (the rent payments for Instalments 1-9 are calculated based on the interest rates specified in the Finance Lease Agreement and the Supplemental Agreement I and were actually paid by the Company to Industrial Bank Financial Leasing, and the rent payments for Instalments 10-19 are estimated based on the applicable interest rate on the date of signing the Supplemental Agreement II):
Instalment 1: RMB45,332,464 payable on 20 June 2022	Instalment 1: RMB45,108,262.59 paid on 20 June 2022	Instalment 1: RMB45,108,262.59 paid on 20 June 2022
Instalment 2: RMB45,332,464 payable on 20 December 2022	Instalment 2: RMB44,839,312.93 paid on 20 December 2022	Instalment 2: RMB44,839,312.93 paid on 20 December 2022
Instalment 3: RMB45,332,464 payable on 20 June 2023	Instalment 3: RMB10,089,935.39 paid on 20 June 2023	Instalment 3: RMB10,089,935.39 paid on 20 June 2023
Instalment 4: RMB45,332,464 payable on 20 December 2023	Instalment 4: RMB11,803,008.33 payable on 10 November 2023	Instalment 4: RMB11,803,008.33 paid on 10 November 2023
Instalment 5: RMB45,332,464 payable on 20 June 2024	Instalment 5: RMB28,524,402.01 payable on 10 May 2024	Instalment 5: RMB2,000,000.00 paid on 28 December 2023

LETTER FROM THE BOARD

Finance Lease Agreement	Supplemental Agreement I	Supplemental Agreement II
Instalment 6: RMB45,332,464 payable on 20 December 2024	Instalment 6: RMB47,311,178.75 payable on 10 November 2024	Instalment 6: RMB26,484,946.46 paid on 10 May 2024
Instalment 7: RMB45,332,464 payable on 20 June 2025	Instalment 7: RMB47,311,178.75 payable on 10 May 2025	Instalment 7: RMB47,311,178.75 paid on 8 November 2024
Instalment 8: RMB45,332,464 payable on 20 December 2025	Instalment 8: RMB47,311,178.75 payable on 10 November 2025	Instalment 8: RMB47,031,023.85 paid on 9 May 2025
Instalment 9: RMB45,332,464 payable on 20 June 2026	Instalment 9: RMB47,311,178.75 payable on 10 May 2026	Instalment 9: RMB9,523,452.11 paid on 10 November 2025
Instalment 10: RMB45,332,464 payable on 27 December 2026	Instalment 10: RMB47,311,178.75 payable on 10 November 2026	Instalment 10: RMB12,848,950.75 payable on 10 May 2026
	Instalment 11: RMB47,311,178.75 payable on 10 May 2027	Instalment 11: RMB24,745,320.11 payable on 10 November 2026
	Instalment 12: RMB47,311,178.75 payable on 27 November 2027	Instalment 12: RMB24,215,450.75 payable on 10 May 2027

LETTER FROM THE BOARD

Finance Lease Agreement

Supplemental Agreement I

Supplemental Agreement II

Instalment 13:
RMB23,825,320.11 payable
on 10 November 2027

Instalment 14:
RMB27,328,740.54 payable
on 10 May 2028

Instalment 15:
RMB26,813,320.11 payable
on 10 November 2028

Instalment 16:
RMB26,224,450.75 payable
on 10 May 2029

Instalment 17:
RMB25,709,320.11 payable
on 10 November 2029

Instalment 18:
RMB25,138,450.75 payable
on 10 May 2030

Instalment 19:
RMB26,979,511.72 payable
on 27 November 2030

LETTER FROM THE BOARD

	Finance Lease Agreement	Supplemental Agreement I	Supplemental Agreement II
Lease payments:	The lease payments are calculated based on the lease cost (i.e. RMB400 million) and the lease interest rate, and consist of the lease cost and the lease interest.	No change.	No change.
Lease interest rate:	The lease interest rate is a tax-inclusive floating rate. The standard is the loan prime rate (LPR) for loans with a maturity of five years or more as published by the People's Bank of China. The lease interest rate on the lease commencement date shall be the loan prime rate (LPR) for loans with a maturity of five years or more as published by the People's Bank of China on 22 November 2021, i.e. 4.65% per annum; in case of adjustment to the loan prime rate (LPR) for loans with relevant maturity as published by the People's Bank of China, Industrial Bank Financial Leasing shall re-determine the lease interest rate based on the new loan prime rate (LPR) for loans with relevant maturity as published by the People's Bank of China and adjust the lease payments accordingly.	On the commencement date of the 4th Lease Period, the lease interest rate shall be adjusted to the loan prime rate (LPR) for loans with a maturity of five years or more as published by the People's Bank of China applicable as at 20 May 2023 plus 100 basis points, with the adjusted lease interest rate being 5.30% per annum. Industrial Bank Financial Leasing shall calculate and collect current rent from the Company based on the aforementioned lease interest rate.	Subject to the terms of the Supplemental Agreement I. Specifically, the lease interest rate will be repriced annually on 20 June. The pricing benchmark is the latest five-year loan prime rate (LPR) published by the People's Bank of China applicable on the repricing date, plus/minus a spread, the value of which (addition of 100 basis points) remains unchanged throughout the term of the Supplemental Agreement II. Following each repricing, the rent amounts for the Lease Period in which the repricing date falls and all preceding Lease Periods of the lease interest rate remain unchanged. Starting from the subsequent Lease Period, Industrial Bank Financial Leasing will calculate and collect rent from the Company based on the repriced lease interest rate. The interest rate applicable on the date of signing the Supplemental Agreement II is 4.50% per annum.

LETTER FROM THE BOARD

Finance Lease Agreement

The Company shall pay to Industrial Bank Financial Leasing one installment of lease payment for each Lease Period in ten equal installments of principal and interest. The lease payment applicable to each Lease Period shall be paid on the day following the expiration date of such Lease Period.

Supplemental Agreement I

During the subsequent Lease Periods, the lease interest rate shall be redetermined once a year on 20 June. The redetermination basis is the latest applicable loan prime rate (LPR) for loans with a maturity of five years as published by the People's Bank of China on the redetermination date. The value of plus or minus basis points shall remain unchanged for the duration of the contract. At that time, the rent amount of the Lease Period and each preceding Lease Period as of the date of redetermination of the lease interest rate shall remain unchanged. Commencing from the next Lease Period, Industrial Bank Financial Leasing shall calculate and collect rent from the Company in accordance with the redetermined lease interest rate.

Supplemental Agreement II

LETTER FROM THE BOARD

	Finance Lease Agreement	Supplemental Agreement I	Supplemental Agreement II
Lease handling fee and payment method:	RMB2 million. The payment shall be made in several instalments and each instalment of lease handling fee shall be 0.5% of each instalment of the purchase price of Leased Assets.	The Company has paid in full to Industrial Bank Financial Leasing the lease handling fee as agreed in the Finance Lease Agreement in accordance with the relevant provisions of the Finance Lease Agreement and the entering into of the Supplemental Agreement I does not involve any additional payment of lease handling fee.	The Company has paid in full to Industrial Bank Financial Leasing the lease handling fee as agreed in the Finance Lease Agreement in accordance with the relevant provisions of the Finance Lease Agreement and the entering into of the Supplemental Agreement II does not involve any additional payment of lease handling fee.
Lease risk deposit:	Nil	Nil	Nil
Guarantee:	Nil	The Company pledged all of its equity interests in six wholly-owned subsidiaries ^{Note 1} and the receivables under service concession rights enjoyed by these six subsidiaries ^{Note 2} to secure the Company's obligations under the Finance Lease Agreement and the Supplemental Agreement I, and shall complete the relevant pledge procedures in accordance with the relevant provisions of the Supplemental Agreement I.	Subject to the terms of the Supplemental Agreement I with no change.

LETTER FROM THE BOARD

	Finance Lease Agreement	Supplemental Agreement I	Supplemental Agreement II
Repurchase right and price:	Upon expiry of the lease term, the Company has the right to repurchase the Leased Assets on an “as is” basis upon payment of the repurchase price to Industrial Bank Financial Leasing and obtain the title of the Leased Assets, provided that the Company shall settle all the lease payments and other amounts payable under the Finance Lease Agreement. The amount of the repurchase price is RMB10,000.	No change.	No change.

LETTER FROM THE BOARD

	Finance Lease Agreement	Supplemental Agreement I	Supplemental Agreement II
Early repayment and early repayment penalty:	<p>Should the Company requests for early repayment of part or all of the rents, the Company shall notify Industrial Bank Financial Leasing in writing 15 business days in advance, which is subject to Industrial Bank Financial Leasing's written consent. After obtaining Industrial Bank Financial Leasing's written consent and the early repayment of part of the rents, the Company shall negotiate with Industrial Bank Financial Leasing to determine the arrangements for repayment of the remaining rents.</p> <p>Lease interest would be charged on the lease cost that has been repaid early based on the agreed interest rate and the actual period of use, while the lease interest that has already been charged prior to the early repayment shall not be adjusted.</p> <p>The penalty for early repayment is 3% of the early repayment amount.</p>	<p>In addition to the agreement in the Finance Lease Agreement, if the Company fails to pay any rent by the due date or to set up the pledge guarantee in accordance with the Supplemental Agreement I, Industrial Bank Financial Leasing shall have the right to unilaterally terminate the Supplemental Agreement I, restore the payment arrangement under the Finance Lease Agreement and make claims pursuant to the Finance Lease Agreement.</p>	<p>In addition to the agreements in the Finance Lease Agreement, in the event that (i) the Company fails to make payment at the time and in the amount as agreed in the Supplemental Agreement II; or (ii) the Company commits any other breach under the Finance Lease Agreement, the Supplemental Agreement I and the Supplemental Agreement II, Industrial Bank Financial Leasing shall have the right to cancel the adjustments to the lease term, interest rate and rental and restore the repayment matters agreed in the Supplemental Agreement II to the status prior to the signing of the Supplemental Agreement II, and shall have the right to demand that all the rentals expire prematurely and be recovered in full.</p>

LETTER FROM THE BOARD

Finance Lease Agreement

Supplemental Agreement I

Supplemental Agreement II

Special provisions:

The transactions under the Supplemental Agreement II are subject to the consideration and approval at the general meeting of the Company, and the Company will convene a general meeting to consider the transactions under the Supplemental Agreement II as soon as possible and inform Industrial Bank Financial Leasing in writing of the resolution of the general meeting no later than 31 December 2025. If the transactions under the Supplemental Agreement II are not approved at the general meeting of the Company before such deadline, the parties agreed to terminate the Supplemental Agreement II and the Company will continue to perform its obligations (including rental payments) under the Finance Lease Agreement and the Supplemental Agreement I.

Note 1: The six wholly-owned subsidiaries are: (1) Hongze Dianchi Water Treatment Co., Ltd. (洪澤滇池水務有限公司), a limited liability company established in the PRC on 6 March 2006; (2) Putian Huake Environmental Protection Engineering Co., Ltd. (莆田市華科環保工程有限公司), a limited liability company established in the PRC on 15 July 2009; (3) Renhuai Dianchi Water Treatment Co., Ltd. (仁懷滇池水務有限公司), a limited liability company established in the PRC on 5 January 2011; (4) Leshan Debei'ao Water Treatment Co., Ltd. (樂山德貝奧水務有限公司), a limited liability company established in the PRC on 11 August 2014; (5) Xundian Dianchi Water Treatment Co., Ltd. (尋甸滇池水務有限公司), a limited liability company established in the PRC on 30 April 2009; and (6) Zhuji Dianchi Water Treatment Co., Ltd. (諸暨滇池水務有限公司), a limited liability company established in the PRC on 30 November 2015. All of these six subsidiaries are principally engaged in wastewater treatment.

Note 2: As at 31 October 2025, the total amount of receivables under service concession rights enjoyed by these six subsidiaries is approximately RMB614.56 million.

LETTER FROM THE BOARD

(2) Reasons for and Benefits of Entering Into the Finance Lease Arrangement

The Finance Lease Arrangement was entered into in the ordinary and usual course of business of the Company for the purpose of enabling the Company to obtain financial resources for its operations and to continue to use certain assets required for its operations. Pursuant to the Finance Lease Arrangement, the Company generated proceeds of approximately RMB400 million (as reflected in the Company's relevant periodic reports for the years of 2021 to 2025), which was used by the Group to replace bank loans in areas such as the operation of wastewater treatment facilities. Before entering into the Supplemental Agreement II, the estimated remaining outstanding principal and interest calculated based on the floating interest rate stipulated in the Finance Lease Agreement and the Supplemental Agreement I was approximately RMB235.16 million, while the estimated remaining outstanding principal and interest calculated based on the floating interest rate applicable under the Supplemental Agreement II is approximately RMB253.35 million, representing a difference of approximately RMB18.19 million as compared to the estimated remaining outstanding principal and interest calculated based on the floating interest rate stipulated in the Finance Lease Agreement and the Supplemental Agreement I, which is primarily attributable to the extension of the lease term, resulting in interest accruing over seven additional Lease Periods. From the date of signing the Supplemental Agreement I until the day immediately preceding the signing of the Supplemental Agreement II, the Company has paid a total of approximately RMB144.72 million in rent payments to Industrial Bank Financial Leasing under the Finance Lease Agreement and the Supplemental Agreement I. The Supplemental Agreement II is an amendment to the finance lease term and other terms to extend the lease term and adjust the arrangement for the principal payment of the lease. As disclosed under "Lease term and payment arrangement" above regarding the Company's rent payment arrangements across Lease Periods under the Finance Lease Agreement, the Supplemental Agreement I, and the Supplemental Agreement II, the payment arrangements for the rent principal under the Supplemental Agreement II may facilitate the Company in optimizing its repayment schedule and reducing one-time large capital outflows, thereby increasing the Company's flexibility in the use of funds. Furthermore, the floating interest rate applicable on the date of signing the Supplemental Agreement II is 4.50% per annum, which is 1.27 percentage points lower than the Company's weighted average actual interest rate of 5.77% per annum disclosed in the audited consolidated financial statements for the year ended 31 December 2024, and falls within a reasonable market range. The Directors consider that the entering into of the Supplemental Agreement II and the terms of the Finance Lease Arrangement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

(3) Financial Impact

The consideration for the Finance Lease Arrangement, considered as a whole, is effectively the principal amount of the finance lease granted to the Company by Industrial Bank Financial Leasing. Under the International Financial Reporting Standards issued by the International Accounting Standards Board, the transactions contemplated under the Finance Lease Agreement shall be recognized as financial liability arrangement and therefore will not give rise to any gain or loss on or result in a decrease in the value of the Leased Assets at initial recognition. In respect of the Finance Lease Arrangement, the carrying value of the Leased Assets as at 31 October 2021 was approximately RMB431.04 million. As at 31 October 2025, the carrying value of the Leased Assets as confirmed by the management account of the Company was approximately RMB296.06 million.

Pursuant to the Finance Lease Arrangement, (i) the Group's total assets increased by approximately RMB400 million to reflect the proceeds from the disposal of the Leased Assets; and (ii) the Group's total liabilities increased by approximately RMB400 million to reflect the Group's payment obligations under the Finance Lease Agreement. Accordingly, there will be no material change to the total assets less total liabilities in the consolidated statement of financial position of the Group. The relevant assets and liabilities have been reflected in the interim and annual reports of 2021 to 2024 and the interim report of 2025 of the Company. Upon the entering into of the Supplemental Agreement II, the total assets and total liabilities of the Group are expected to increase by RMB18 million and RMB18 million, respectively, in accordance with the relevant provisions of the Supplemental Agreement II. Therefore, the entering into of the Supplemental Agreement II has no material change to the total assets less total liabilities in the consolidated statement of financial position of the Group.

Regarding the impact on the consolidated statement of profit or loss and other comprehensive income, the total estimated interest to be paid in the future calculated based on the floating interest rate as stipulated in the Finance Lease Agreement and the Supplemental Agreement I is approximately RMB17 million, which will be accounted for in finance costs and amortised over the lease term. The total interest to be paid in the future calculated under the Supplemental Agreement II amounted to approximately RMB35 million, and the difference between it and the estimated interest calculated under the Finance Lease Agreement and the Supplemental Agreement I amounted to approximately RMB18 million. The relevant difference will also be included in finance costs and amortised over the remaining lease term.

LETTER FROM THE BOARD

(4) *Information on the Parties to the Finance Lease Agreement, the Supplemental Agreement I and the Supplemental 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.

Industrial Bank Financial Leasing

Industrial Bank Financial Leasing is a company incorporated in the PRC with limited liability and is principally engaged in finance lease business. To the best knowledge of the Company, as at the date of this announcement, Industrial Bank Financial Leasing is 100% owned by the Industrial Bank Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 601166). To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Industrial Bank Financial Leasing and its ultimate beneficial owners (where applicable) are third parties independent of the Company and its connected persons.

(5) *Listing Rules Implications*

Pursuant to Rule 14.36 of the Listing Rules, as the Supplemental Agreement II constitutes a material change to the terms of the Finance Lease Agreement and the Supplemental Agreement I and as one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Supplemental Agreement II and the transactions contemplated thereunder exceed 25% but are less than 100%, the entering into of the Supplemental Agreement II and the transactions contemplated thereunder constitute a major transaction of the Company and are therefore subject to compliance with the notice, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The transactions contemplated under the Supplemental Agreement II are subject to consideration and approval by the Shareholders of the Company. If the transactions contemplated under the Supplemental Agreement II are not approved by the Shareholders as mentioned above, the Supplemental Agreement II will be terminated and the Company will continue to perform its obligations (including rental payments) under the Finance Lease Agreement and the Supplemental Agreement I.

LETTER FROM THE BOARD

3.2 To consider and approve the adjustment to the remuneration of Mr. Zha Guiliang, an independent non-executive Director

Reference is made to the announcement of the Company dated 28 November 2025 in relation to, among other things, the proposed adjustment to the remuneration of Mr. Zha Guiliang (“**Mr. Zha**”), an independent non-executive Director.

Having considered the prevailing general economic environment, the remuneration level of the industry and region in which the Company operates and in order to align with the business needs and development of the Company, as considered and approved at the 258th meeting of the first session of the Board of the Company held on 28 November 2025, it was proposed that the remuneration of Mr. Zha during his term of office as an independent non-executive Director be adjusted from RMB150,000 per annum (before tax) to RMB96,000 per annum (before tax).

Given that this matter is related to Mr. Zha, an independent non-executive Director, Mr. Zha has abstained from voting on the resolution on adjustment to his remuneration at the Board meeting. The adjustment to the remuneration of Mr. Zha is subject to the approval of the Shareholders by way of an ordinary resolution at the EGM.

3.3 To consider and approve the appointment of Ms. Fu Jifang as an independent non-executive Director

Reference is made to the announcement of the Company dated 28 November 2025 in relation to, among other things, the resignation of Ms. Zheng Dongyu (“**Ms. Zheng**”) as an independent non-executive Director, the chairperson of the nomination committee of the Company (the “**Nomination Committee**”) and a member of the audit committee of the Company (the “**Audit Committee**”) and the proposed appointment of Ms. Fu Jifang (“**Ms. Fu**”) as an independent non-executive Director of the first session of the Board of the Company.

Ms. Zheng, an independent non-executive Director, has tendered her resignation to the Board on 28 November 2025 to resign from her positions as an independent non-executive Director, the chairperson of the Nomination Committee and a member of the Audit Committee due to personal arrangements and her desire to devote more time to other matters, and her resignation became effective on 28 November 2025.

After the resignation of Ms. Zheng becoming effective on 28 November 2025, the Company has two independent non-executive Directors and each of the Audit Committee and the Nomination Committee has only two members. As a result, the Company is not in compliance with (i) the requirements set out in Rule 3.10(1) of the Listing Rules that the Company must have at least three independent non-executive Directors; (ii) the requirements set out in Rule 3.10A of the Listing Rules that the independent non-executive Directors appointed by the Company must constitute at least one-third of the Board; (iii) the requirements set out in Rule 3.21 of the Listing Rules that the Audit Committee must comprise at least three members; and (iv) the requirements set out in Rule 3.27A of the Listing Rules that the Nomination Committee must be chaired by the chairperson of the Board or an independent non-executive Director and a majority of the members must be independent non-executive Directors.

LETTER FROM THE BOARD

To fill the vacancy of the director position after Ms. Zheng's resignation, the Board considered and approved a resolution at the 258th meeting of the first session of the Board held on 28 November 2025, proposing to appoint Ms. Fu as an independent non-executive Director of the first session of the Board of the Company. A resolution in relation to the proposed appointment of Ms. Fu as an independent non-executive Director will be submitted at the EGM for consideration and approval by the Shareholders. The aforementioned proposed appointment will be subject to approval by the Shareholders at the EGM by way of an ordinary resolution.

The biographical details of Ms. Fu are set out below:

Ms. Fu Jifang, aged 53, graduated from Beijing Foreign Studies University majoring in finance and is a senior accountant.

Ms. Fu worked at Kunming Bus Group Co., Ltd.* (昆明公交集團有限責任公司) from November 1991 to June 2025, where she has successively served as accountant, deputy manager of the finance department, manager of the finance department, chief accountant, member of the Party Committee, and financial controller, etc. Ms. Fu served as a director of Kunming Bus Group Co., Ltd.* (昆明公交集團有限責任公司) from January 2016 to July 2025; and served as a member of the Party Committee and financial controller of Kunming Water Group Co., Ltd.* (昆明市水務集團有限責任公司) from June 2025 to October 2025.

The appointment of Ms. Fu as an independent non-executive Director will become effective after the resolution of her appointment is approved by the Shareholders at the EGM. Thereafter, the Company will enter into a director service agreement with Ms. Fu for a term commencing from the day when the aforementioned resolution is considered and approved at the EGM till the day when the election of the next session of the Board is completed. Ms. Fu will receive a remuneration of RMB96,000 (before tax) per annum during her tenure as an independent non-executive Director.

To the best knowledge of the Board, save as disclosed above and as at the Latest Practicable Date: (1) Ms. Fu did not hold any directorship in public companies whose securities are listed in Hong Kong or any overseas securities markets in the past three years; (2) Ms. Fu is not connected to any Director, senior management, substantial Shareholder or controlling Shareholder of the Company; (3) before Ms. Fu's appointment as an independent non-executive Director comes into effect, she does not hold any other positions in the Company or any other member companies of the Group; and (4) Ms. Fu does not have any interests in the shares of the Company or its associated corporations (as defined in Part XV of the SFO).

Ms. Fu has confirmed that (1) she meets the independence criteria as set out in Rule 3.13 of the Listing Rules; (2) she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person (as defined under the Listing Rules) of the Company; and (3) there are no other factors that may affect her independence at the time of her appointment. The Board and the Nomination Committee are satisfied with the independence of Ms. Fu as a candidate for independent non-executive Director after reviewing her biographical details and assessing the independence requirements under the Listing Rules. Save as disclosed above, there is no other information that is required to be disclosed pursuant to any of the requirements under paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules nor are there other matters that need to be brought to the attention of the Shareholders or the Stock Exchange relating to Ms. Fu's appointment.

LETTER FROM THE BOARD

In setting the composition of the Board, the Company takes into account the diversity of the Board members from various aspects, including but not limited to gender, age, cultural and educational background, location, professional experience, skills, knowledge and length of service. All appointments to the Board are made on the basis of merit, with emphasis on the skills, experience and diversity of perspectives that a candidate can bring to the Board and the contribution that he or she can make to the Board. The final decision will be based on the candidate's strengths and contributions to the Board. The Nomination Committee is mainly responsible for reviewing the size, structure, member numbers and composition of the Board, studying the selection criteria and procedures of the Directors and senior management and make recommendations to the Board thereon, conducting extensive searches for the qualified candidates of the Directors and senior management, and reviewing and making recommendations on the candidates of the Directors and managers.

The Board and the Nomination Committee are of the view that Ms. Fu has been in the financial and accounting field for many years and has accumulated a wealth of financial management knowledge and experience, which can promote the diversity of the Board members, strengthen the knowledge and professional background of the Board members in finance, and play an active role in promoting corporate governance, strategic development planning and standardized operations of the Board. The nomination of Ms. Fu as an independent non-executive Director of the first session of the Board of the Company can give full play to her advantage of professional background, allowing her to bring diversified perspectives and offer valuable opinions for the decision making on major issues of the Company.

4. THE EGM

The proxy form of the EGM is enclosed herewith, which is also published together with this circular on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.kmdcwt.com) and available to the Shareholders.

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 not less than 24 hours before the time fixed for holding the EGM (i.e. 2:30 p.m. on Monday, 22 December 2025) 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.

LETTER FROM THE BOARD

5. VOTING BY POLL

According to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders at the Shareholders' 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 ordinary resolutions at the EGM.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the transactions contemplated under the Supplemental Agreement II. Accordingly, as at the Latest Practicable Date, no Shareholder is required to abstain from voting on the resolution on approval of the transactions contemplated under the Supplemental Agreement II at the EGM.

6. RECOMMENDATION

The Board considers that each of the ordinary resolutions to be proposed at the EGM is in the interests of the Company and its Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM.

Yours faithfully,
Zeng Feng
Chairperson

* *For identification purpose only*

1. FINANCIAL INFORMATION OF THE GROUP

Details of the audited consolidated financial information of the Group for each of the three years ended 31 December 2022, 2023 and 2024 are disclosed in the following annual reports of the Company for the years ended 31 December 2022, 2023 and 2024, 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 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.
- (ii) 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.
- (iii) The Group's annual report for the year ended 31 December 2024 published on 24 April 2025 (available at <https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0424/2025042401035.pdf>), particularly as shown in pages 169 to 318.

2. INDEBTEDNESS OF THE GROUP

As at the close of business on 31 October 2025, being the latest practicable date for ascertaining the indebtedness of the Group prior to the publication of this circular, the Group mainly had (i) unsecured current borrowings of approximately RMB542.3 million and unsecured non-current borrowings of approximately RMB170.5 million; (ii) secured current borrowings of approximately RMB1,795.1 million, secured non-current borrowings of approximately RMB2,620.9 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 RMB598.3 million; (iii) amounts payable for acquisition of property, plant and equipment of approximately RMB254.1 million; and (iv) capital expenditure contracted for but not yet transpired in respect of property, plant and equipment of approximately RMB84.0 million and commitment for concession projects and construction projects contracted for but not yet transpired of approximately RMB717.4 million.

Save as disclosed above and apart from intra-company liabilities and normal trade payables in the ordinary course of business, at the close of business on 31 October 2025, 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.

3. 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 needs 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.

4. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Group is a key participant in municipal wastewater treatment and reclaimed water supply services 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, as of 31 December 2024, we had a total of 34 wastewater treatment plants in operation (including 14 in Kunming and 20 in other areas), with a total wastewater treatment capacity of 1.9 million cubic meters per day. As at the Latest Practicable Date, the completed and operational wastewater treatment capacity of the Company has not experienced any material changes as compared to the capacity as at 31 December 2024, and we anticipate that the business development of our wastewater treatment business segment will remain stable during the year. 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, and continue to improve the level of operation and management services, laying a stronger foundation for the Group's expansion in the wastewater treatment business.

For reclaimed water business, as of 31 December 2024, 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 334,000 cubic meters. As at the Latest Practicable Date, the capacity of the reclaimed water business of the Company has not experienced any material changes as compared to the capacity as at 31 December 2024, and we anticipate that the business development of our reclaimed water supply business segment will remain stable during the year. 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. With the increase in market demand and as the government attaches great importance to the use of reclaimed water, the reclaimed water utilization business will also be further developed in the future.

For running water business, as of 31 December 2024, we had 4 running water plants in operation in the PRC. As at the Latest Practicable Date, the capacity of the running water business of the Company has not experienced any material changes as compared to the capacity as at 31 December 2024, and we anticipate that the business development of our running water supply business segment will remain stable during the year. 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.

5. NO 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 2024, being the date of preparation of the latest published audited consolidated financial statements of the Group.

1. 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.

2. DISCLOSURE OF INTERESTS

(i) Interests and Short Positions of Directors 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 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.

(ii) 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 of the Company, the interests or short positions in the Shares or underlying shares of the Company of the following persons (other than Directors or 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 (share)	Approximate percentage of the total issued share capital of the Company (%)	Approximate percentage of the relevant class of Shares of the Company (%)
Kunming Dianchi Investment Co., Ltd. (昆明滇池投資有限責任公司) (“Kunming Dianchi Investment”)	Beneficial owner	Domestic Shares	446,889,209 (long positions) (Note 2)	43.42%	64.85%

APPENDIX II

GENERAL INFORMATION

Name of Shareholder	Capacity/ nature of interest	Class of Shares	Number of Shares (share)	Approximate percentage of the total issued share capital of the Company (%)	Approximate percentage of the relevant class of Shares of the Company (%)
Kunming Anju Group Co., Ltd.* (昆明市安居集團有限公司) (formerly known as 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 (long positions) (Note 3)	3.21%	4.79%
Yunnan Yuntou Finance Leasing Co., Ltd. (雲南雲投融資租賃 有限公司)	Beneficial owner	Domestic Shares	213,377,684 (long positions) (Note 4)	20.73%	30.97%
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 (long positions) (Notes 5 and 7)	5.73%	17.35%
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 (long positions) (Notes 5 and 7)	5.73%	17.35%
Kunming Gangtong Logistics Group Co. Ltd.* (昆明港通物 流集團有限公司) (formerly known as 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 (long positions)	3.87%	11.70%
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 (long positions)	6.29%	19.05%
Modern Orient Limited	Interest of controlled corporation	H Shares	47,754,000 (long positions) (Notes 6 and 7)	4.64%	14.04%
Beijing Enterprises Water Group Limited	Beneficial owner	H Shares	47,754,000 (long positions) (Notes 6 and 7)	4.64%	14.04%
Beijing Enterprises Investments Limited	Interest of controlled corporation	H Shares	47,754,000 (long positions) (Notes 6 and 7)	4.64%	14.04%

Name of Shareholder	Capacity/ nature of interest	Class of Shares	Number of Shares (share)	Approximate percentage of the total issued share capital of the Company (%)	Approximate percentage of the relevant class of Shares of the Company (%)
Beijing Enterprises Holdings Limited	Interest of controlled corporation	H Shares	47,754,000 (long positions) (Notes 6 and 7)	4.64%	14.04%
Beijing Enterprises Group Company Limited	Interest of controlled corporation	H Shares	47,754,000 (long positions) (Notes 6 and 7)	4.64%	14.04%
Beijing Enterprises Group (BVI) Company Limited	Interest of controlled corporation	H Shares	47,754,000 (long positions) (Notes 6 and 7)	4.64%	14.04%
Beijing Enterprises Environmental Construction Limited	Interest of controlled corporation	H Shares	47,754,000 (long positions) (Notes 6 and 7)	4.64%	14.04%

Notes:

- The data disclosed above are mainly based on information provided on the website of the 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 Domestic Shares of the Company held by it as security for its debts. On 10 December 2024, 213,377,684 Shares originally held by Kunming Dianchi Investment were ordered by the court to be delivered to Yunnan Yuntou Finance Leasing Co., Ltd. for settlement of debts. As at the Latest Practicable Date, a total of 446,889,209 Domestic Shares were held by Kunming Dianchi Investment, accounting for approximately 43.42% of the total issued Shares of the Company.

On 24 October 2022, Kunming Dianchi Investment pledged up to 198,080,068 Domestic Shares in the issued Shares of the Company 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 see the Company’s announcement dated 23 October 2022 for details). The Loan Facility has matured in 2024 and the Company has fulfilled all related repayment obligations, while as at the end of the Reporting Period, the procedures for the release of the pledged Shares are still in process.

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 is 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 is 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》), and 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 is three years from 18 September 2023 to 17 September 2026 (please see 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 the 60.95% equity interest in the Company held by Kunming Dianchi Investment. The freezing period is 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 the 2.6236% equity interest in the Company held by Kunming Dianchi Investment amounting to RMB27 million. The freezing period is 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 seizing and freezing of equity interest in the Company held by Kunming Dianchi Investment amounting to RMB200,107,000. The seizure and freezing period is three years from 25 January 2024 to 24 January 2027. In January 2025, the Company received a notice, pursuant to which the court has released the seizure and freezing of the equity interest (please refer to the Company's announcements dated 25 January 2024 and 17 January 2025, respectively for details).

On 14 June 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 the 60.95% equity interest in the Company held by Kunming Dianchi Investment. The freezing period is three years from 14 June 2024 to 14 June 2027 (please refer to the Company's announcement dated 14 June 2024 for details).

Two judicial auctions were conducted on the Alibaba Online Judicial Auction Platform from 10:00 a.m. on 6 June 2024 to 10:00 a.m. on 7 June 2024 and from 10:00 a.m. on 23 June 2024 to 10:00 a.m. on 24 June 2024, respectively, regarding the 245,520,000 Shares of the Company (accounting for approximately 23.86% of the total number of Shares of the Company) held by Kunming Dianchi Investment, both of which have been aborted. A judicial sale was conducted on the Alibaba Online Judicial Auction Platform from 10:00 a.m. on 25 July 2024 to 10:00 a.m. on 23 September 2024, regarding the 245,520,000 Shares of the Company (accounting for approximately 23.86% of the total number of Shares of the Company) held by Kunming Dianchi Investment, and the judicial sale has been aborted (please refer to the Company's announcements dated 9 May 2024, 7 June 2024, 24 June 2024, 9 July 2024 and 23 September 2024 for details).

A judicial auction was conducted on the JD.com Judicial Auction Online Platform from 3:00 p.m. on 8 September 2024 to 3:00 p.m. on 9 September 2024 in respect of 58,000,000 Shares of the Company (accounting for approximately 5.64% of the total number of Shares of the Company) held by Kunming Dianchi Investment. According to the information displayed on the JD.com Judicial Auction Online Platform, the judicial auction has been withdrawn due to objections raised by Kunming Dianchi Investment (please refer to the Company's announcements dated 26 August 2024 and 9 September 2024, respectively for details).

On 18 April 2025, the Company received the Notice of Assistance in Enforcement from the People's Court of Huaiji County, Guangdong Province (《廣東省懷集縣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 the equity interests in the Company with a value within RMB18 million held by Kunming Dianchi Investment. The freezing period is three years from 18 April 2025 to 17 April 2028 (except for the equity of which the freezing has been released) (please refer to the Company's announcement dated 22 April 2025 for details).

On 4 November 2025, 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 freezing of 43.4248% equity interest in the Company held under the name of Kunming Dianchi Investment for a term of three years (please refer to the Company's announcement dated 4 November 2025 for details).

3. Pursuant to the counter-guarantee contract signed between Kunming Anju Group Co., Ltd. and Kunming Dianchi Investment on 29 June 2022, Kunming Anju Group Co., Ltd. has a security interest in the 33,013,345 Domestic Shares held by Kunming Dianchi Investment.
4. On 10 December 2024, Yunnan Yuntou Financial Leasing Co., Ltd. acquired 213,377,684 Shares of the Company held by Kunming Dianchi Investment through judicial procedures (please refer to the Company's announcement dated 11 December 2024 for details). Such 213,377,684 Domestic Shares belong to the same batch of Shares.
5. Such 59,000,000 H Shares belong to the same batch of Shares.
6. Such 47,754,000 H Shares belong to the same batch of Shares.
7. Pursuant to Section 336 of the SFO, if certain conditions are met, the Shareholders of the Company are required to submit a disclosure of interest notice. 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 at the Latest Practicable Date, the Company is not aware of any other persons (other than the Directors 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.

3. SERVICE CONTRACTS OF DIRECTORS

As at the Latest Practicable Date, none of the Directors 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).

4. 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).

5. 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 2024 (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.

6. DIRECTORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDERS

The followings are the particulars of Directors' 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. Xu Jingdong, a non-executive Director, serves as a director and the deputy general manager of Kunming Dianchi Investment.

7. 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) (“**Kunming Urban Investment**”) and Kunming Panlong District Rural Credit Cooperative* (昆明市盤龍區農村信用合作聯社) (“**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 the entrusted loan with principal amount of RMB180 million to 7 June 2026 (please refer to the Company's announcements and circular disclosed on the websites of the Stock Exchange and the Company on 9 June 2022, 16 June 2022, 9 June 2023, 12 June 2023, 29 April 2024 and 16 May 2024 for details);

- (b) On 24 October 2022, the Company entered into the Entrusted Loan Contract with Kunming Development Investment Group Co., Ltd.* (昆明發展投資集團有限公司) (“**Kunming Development**”) and Kunming Chenggong District Rural Credit Cooperative* (昆明市呈貢區農村信用合作聯社) (“**Chenggong District Rural Credit Cooperative**”), pursuant to which the Company entrusted Chenggong District Rural Credit Cooperative to provide a RMB200 million entrusted loan to Kunming Development 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 I and the Supplemental Entrusted Loan Extension Agreement I with Kunming Development and Chenggong District Rural Credit Cooperative to extend the term of the entrusted loan with principal amount of RMB200 million under the Entrusted Loan Contract to 24 August 2024. On 15 July 2024, the Company entered into the Entrusted Loan Extension Agreement II with Kunming Development and Chenggong District Rural Credit Cooperative to extend the term of the entrusted loan with principal amount of RMB200 million under the Entrusted Loan Contract/the Entrusted Loan Extension Agreement I and the Supplemental Entrusted Loan Extension Agreement I to 24 July 2025. On 19 May 2025, the Company entered into the Entrusted Loan Extension Agreement III with Kunming Development and Chenggong District Rural Credit Cooperative to extend the term of the entrusted loan with principal amount of RMB200 million under the Entrusted Loan Contract/the Original Entrusted Loan Extension Agreements to 24 June 2026 (please refer to the Company’s announcements and circulars disclosed on the websites of the Stock Exchange and the Company on 24 October 2022, 22 September 2023, 25 October 2023, 15 July 2024, 5 August 2024, 19 May 2025 and 6 June 2025 for details, respectively);
- (c) 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) (“**Anju Group**”) and Jinma Branch of Kunming Guandu Rural Cooperative Bank* (昆明官渡農村合作銀行金馬支行) (“**Jinma Branch of Guandu Rural Cooperative Bank**”), pursuant to which the Company entrusted Jinma Branch of Guandu Rural Cooperative Bank to provide entrusted loan of RMB80 million to Anju Group with a term of 12 months and an interest rate of 8.5% per annum. On 13 June 2024, the parties entered into the entrusted loan extension agreement for the entrusted loan contract dated 16 June 2023 to extend the term of RMB72 million of the principal amount under the entrusted loan contract to 16 June 2025. On 13 June 2025, the parties entered into the entrusted loan extension agreement II for the entrusted loan contract dated 16 June 2023 and the entrusted loan extension agreement I dated 13 June 2024 to extend the term of RMB72 million of the principal amount of the entrusted loan to 16 June 2026 (please refer to the Company’s announcements disclosed on the websites of the Stock Exchange and the Company on 16 June 2023, 13 June 2024 and 13 June 2025 for details, respectively);

- (d) 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, to adjust and supplement the finance lease term, interest rate and rental payment arrangement. On 7 November 2025, the Company entered into the supplemental agreement II with Industrial Bank Financial Leasing in respect of the finance lease agreement dated 24 December 2021 and the supplemental agreement I dated 20 June 2023, to adjust and supplement the finance lease term and rental payment arrangement. The transactions II contemplated under the supplemental agreement II are subject to Shareholders' approval (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, 24 August 2023 and 10 November 2025 for details);
- (e) 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) ("**Hongyu Thermal Power**") (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);
- (f) On 29 December 2023, the Company (as the transferor), Sichuan Development Guorun Water Investment Co., Ltd* (四川發展國潤水務投資有限公司) (as the transferee) and three subsidiaries of the Company (the "**Target Companies**") 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 80% equity interest in each of the Target Companies (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);

- (g) 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);
- (h) On 29 April 2024, the Company entered into the mutual guarantee agreement with Kunming Water Group Co., Ltd.* (昆明市水務集團有限責任公司) ("**Kunming Water Group**", formerly known as Kunming Water Supply Group Co., Ltd.* (昆明自來水集團有限公司)), pursuant to which the Company and Kunming Water 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. On 11 November 2025, the Company and Kunming Water Group entered into the financing guarantee framework agreement, pursuant to which Kunming Water Group will unilaterally provide an additional guarantee of up to RMB500 million in aggregate for loans/ credit facilities granted to the Company and its absolutely controlled subsidiaries (please refer to the Company's announcements and circular disclosed on the websites of the Stock Exchange and the Company on 29 April 2024, 11 November 2025 and 22 May 2024 for details);
- (i) On 13 November 2024, the Company entered into the entrusted operation and management framework agreement with Kunming Dianchi Investment, pursuant to which the Group will continue to provide operation and management services to Dianchi Investment Group for a term of three years ending 31 December 2027, including the operation and management services of the wastewater treatment facilities, reclaimed water supply facilities and running water supply facilities (please refer to the announcement and circular of the Company dated 13 November 2024 and 3 December 2024 disclosed on the websites of the Stock Exchange and the Company for details); and
- (j) On 6 July 2025, the Company entered into the EPC contract with the joint contractors (i.e. China Railway No.10 Engineering Group Co., Ltd.* (中鐵十局集團有限公司) and Beijing General Municipal Engineering Design & Research Institute Co., Ltd.* (北京市市政工程设计研究總院有限公司)), pursuant to which the Company agreed to entrust and the joint contractors agreed to provide engineering services, procurement, and construction work for the Company's implementation of the expansion and renovation project of Kunming No. 7 and No. 8 Water Purification Plants (please refer to the announcement of the Company dated 8 July 2025 disclosed on the websites of the Stock Exchange and the Company for details).

8. LITIGATION

The Company was involved in a dispute with Guizhou Construction Group Co., Ltd.* (貴州建工集團有限公司) (“**Guizhou Construction**”) over the settlement of the total consideration of a construction contract, resulting in a lawsuit filed by Guizhou Construction with the Kunming Municipal Intermediate People’s Court. The Kunming Municipal Intermediate People’s Court ruled that the Company should pay Guizhou Construction the construction sum of approximately RMB109.5 million and related interest. The Company has filed an appeal with the Yunnan Provincial High People’s Court against the relevant judgment. At the Latest Practicable Date, the Yunnan Provincial High People’s Court has rendered a final judgment on the appeal made by the Company, ordering the Company to pay Guizhou Construction the construction sum of approximately RMB103.3 million and related interest (for details, please refer to the Company’s announcements dated 9 October 2024 and 4 November 2025). As of the Latest Practicable Date, the Company is in the process of negotiating with Guizhou Construction regarding a plan for cash payment of the relevant amounts. The Company will consider options such as bank loans and accelerated collection of accounts receivable to meet the needs of repayment of the above consideration and daily operating capital. As disclosed in the Company’s announcement dated 4 November 2025, as of 31 December 2024, the Company has made a provision of approximately RMB121.7 million to reflect its payment obligations under this matter.

Save as disclosed above, 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.

9. 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 Ms. Tsui Sum Yi, ACG, HKACG.

10. DOCUMENTS ON DISPLAY

Copies of the Finance Lease Agreement, the Supplemental Agreement I and the Supplemental 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.

NOTICE OF 2025 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 2025 SECOND EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 2025 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, 23 December 2025 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 those defined in the circular of the Company dated 5 December 2025.

ORDINARY RESOLUTIONS

1. To consider and approve the adjustments and supplements to the lease term and rental payment arrangement etc. of the Finance Lease Arrangement pursuant to the Finance Lease Agreement, the Supplemental Agreement I and the Supplemental Agreement II entered into between the Company and Industrial Bank Financial Leasing on 24 December 2021, 20 June 2023 and 10 November 2025, respectively.
2. To consider and approve the adjustment to the remuneration of Mr. Zha Guiliang, an independent non-executive director of the Company.
3. To consider and approve the appointment of Ms. Fu Jifang as an independent non-executive director of the Company.

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

Kunming, the PRC
5 December 2025

NOTICE OF 2025 SECOND EXTRAORDINARY GENERAL MEETING

Notes:

1. According to the Listing Rules, any vote of the Shareholders at the Shareholders' general meeting must be taken by poll. Accordingly, the resolutions set out in the notice of the EGM will be voted on 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, 22 December 2025) 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 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, 3 December 2025 to Tuesday, 23 December 2025 (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, 2 December 2025. Holders of H Shares whose names appear on the H Share register of members of the Company at the close of business on Tuesday, 2 December 2025 are entitled to attend the EGM. For the purpose of determining the list of holders of Domestic Shares who are entitled to attend the EGM, the Domestic Share register of members of the Company will be closed from Wednesday, 3 December 2025 to Tuesday, 23 December 2025 (both days inclusive). The holders of Domestic Shares who wish to attend the EGM are required to complete the transfer registration of Domestic Shares in accordance with the relevant regulations of China Securities Depository and Clearing Corporation Limited not later than the close of business on Tuesday, 2 December 2025. Holders of Domestic Shares whose names appear on the Domestic Share register of members of the Company as at the close of business on Tuesday, 2 December 2025 are entitled to attend the EGM.
5. In case of joint shareholdings, 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 of the date of this notice, the Board comprises Mr. Zeng Feng, Mr. Chen Changyong and Ms. Lian Zhaoju, as executive Directors; Mr. Xu Jingdong, Ms. Cheng Yijing and Ms. Gao Yuan, as non-executive Directors; and Mr. Zha Guiliang and Dr. Chan Ho Wah Terence, as independent non-executive Directors.