
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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) PROPOSED APPOINTMENT OF EXECUTIVE DIRECTOR;**
(2) PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTOR;
(3) PROPOSED RE-APPOINTMENT OF DOMESTIC AUDITOR AND
APPOINTMENT OF INTERNATIONAL AUDITOR;
(4) MAJOR TRANSACTION – EXTENSION OF THE ENTRUSTED LOAN
GRANTED TO KUNMING DEVELOPMENT;
AND
(5) 2025 ANNUAL GENERAL MEETING

The AGM will be held at 2:00 p.m. on Friday, 26 June 2026 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 AGM is set out on pages 41 to 43 of this circular. Proxy form for use at the AGM 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 AGM, you are required to complete and return the proxy form in accordance with the instructions printed thereon. For holders of H Shares, the proxy form should be returned to Tricor Investor Services Limited and for holders of Domestic Shares, the proxy form should be returned to the Company's registered office and headquarters in the PRC by personal delivery or by post in any event not less than 24 hours before the time fixed for holding the AGM (i.e. before 2:00 p.m. on Thursday, 25 June 2026) or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the AGM or at any other adjourned meeting.

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DEFINITIONS

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

“AGM”	the 2025 annual general meeting of the Company to be held at 2:00 p.m. on Friday, 26 June 2026 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
“Articles of Association”	the articles of association of the Company, as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board” or “Board of Directors”	the board of Directors of the Company
“Chenggong District Rural Credit Cooperative”	Kunming Chenggong District Rural Credit Cooperative* (昆明市呈貢區農村信用合作聯社), a third party independent of the Company and its connected person(s)
“Company”	Kunming Dianchi Water Treatment Co., Ltd. (昆明滇池水務股份有限公司), a joint stock company incorporated in the PRC with limited liability on 23 December 2010, and its H Shares are listed on the Stock Exchange (stock code: 3768)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Dianchi Investment Group”	Kunming Dianchi Investment and its subsidiaries, excluding the Group
“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
“Entrusted Loan Contract”	the entrusted loan contract entered into by the Company with Kunming Development and Chenggong District Rural Credit Cooperative on 24 October 2022
“Entrusted Loan Extension Agreement I”	the entrusted loan extension agreement entered into by the Company with Kunming Development and Chenggong District Rural Credit Cooperative on 22 September 2023
“Entrusted Loan Extension Agreement II”	the entrusted loan extension agreement entered into by the Company with Kunming Development and Chenggong District Rural Credit Cooperative on 15 July 2024

DEFINITIONS

“Entrusted Loan Extension Agreement III”	the entrusted loan extension agreement entered into by the Company with Kunming Development and Chenggong District Rural Credit Cooperative on 19 May 2025
“Entrusted Loan Extension Agreement IV”	the entrusted loan extension agreement entered into by the Company with Kunming Development and Chenggong District Rural Credit Cooperative on 12 May 2026
“Entrusted Loan Extension Transaction I”	the transaction contemplated under the Entrusted Loan Extension Agreement I and the Supplemental Entrusted Loan Extension Agreement I, namely the extension of the maturity date of RMB200 million of the principal amount of the entrusted loan under the Entrusted Loan Contract from 24 September 2023 to 24 August 2024
“Entrusted Loan Extension Transaction II”	the transaction contemplated under the Entrusted Loan Extension Agreement II, namely the extension of the maturity date of RMB200 million of the principal amount of the entrusted loan under the Entrusted Loan Contract, the Entrusted Loan Extension Agreement I and the Supplemental Entrusted Loan Extension Agreement I from 24 August 2024 to 24 July 2025
“Entrusted Loan Extension Transaction III”	the transaction contemplated under the Entrusted Loan Extension Agreement III, namely the extension of the maturity date of RMB200 million of the principal amount of the entrusted loan under the Entrusted Loan Contract, the Entrusted Loan Extension Agreement I and the Supplemental Entrusted Loan Extension Agreement I and the Entrusted Loan Extension Agreement II from 24 July 2025 to 24 June 2026
“Entrusted Loan Extension Transaction IV”	the transaction contemplated under the Entrusted Loan Extension Agreement IV and the Supplemental Entrusted Loan Extension Agreement, namely the extension of the maturity date of RMB200 million of the principal amount of the entrusted loan under the Entrusted Loan Contract and the Original Entrusted Loan Extension Agreements from 24 June 2026 to 24 May 2027
“Entrusted Loan Transaction”	the transaction contemplated under the Entrusted Loan Contract, namely the provision of a RMB200 million loan by Chenggong District Rural Credit Cooperative to Kunming Development as entrusted by the Company
“EPC Contract”	the Engineering, Procurement and Construction General Contracting (EPC) Contract for the Expansion and Renovation Project of Kunming No.7 and No.8 Water Purification Plants (《昆明市第七、八水質淨化廠擴容改造項目設計、採購及施工總承包(EPC)合同》) entered into by the Company with China Railway No.10 Engineering Group Co., Ltd. and Beijing General Municipal Engineering Design & Research Institute Co., Ltd. on 6 July 2025

DEFINITIONS

“General Mandate”	subject to the conditions set out in the resolution to be proposed at the AGM to approve the general mandate, a general mandate to be granted to the Board for exercising the power of the Company to issue Shares not exceeding 20% of the total number of the Company’s Shares in issue as at the date of passing of the relevant resolution
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are 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 People’s Republic of China
“Kunming Development”	Kunming Development and Investment Group Co., Ltd.* (昆明發展投資集團有限公司), a wholly state-owned limited liability company incorporated in the PRC on 27 January 2010, which holds 20,959,760 Domestic Shares of the Company as at the Latest Practicable Date, representing approximately 2.04% of the total share capital of the Company, and is not a connected person of the Company as defined under the Listing Rules
“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
“Kunming SASAC”	the State-owned Assets Supervision and Administration Commission of the Kunming People’s Government (昆明市人民政府國有資產監督管理委員會)
“Latest Practicable Date”	2 June 2026, being the latest practicable date prior to the publication of this circular for ascertaining certain information contained herein
“Listing”	listing of the H Shares of the Company on the Stock Exchange on 6 April 2017
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Original Entrusted Loan Extension Agreements”	collectively, the Entrusted Loan Extension Agreement I, the Supplemental Entrusted Loan Extension Agreement I, the Entrusted Loan Extension Agreement II and the Entrusted Loan Extension Agreement III
“PRC” or “China”	the People’s Republic of China

DEFINITIONS

“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)”	holder(s) of the Share(s)
“Share(s)”	share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, comprising the Domestic Shares and H Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning ascribed to it under the Listing Rules
“Supplemental Entrusted Loan Extension Agreement”	the supplemental entrusted loan extension agreement entered into by the Company with Kunming Development and Chenggong District Rural Credit Cooperative on 12 May 2026
“Supplemental Entrusted Loan Extension Agreement I”	the supplemental entrusted loan extension agreement entered into by the Company with Kunming Development and Chenggong District Rural Credit Cooperative on 22 September 2023
“%”	per cent.

* *For identification purpose only*

LETTER FROM THE BOARD



Kunming Dianchi Water Treatment Co., Ltd.

昆明滇池水务股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 3768)

Board of Directors:

Executive Directors:

Mr. Mu Yong (*Chairperson*)

Ms. Lian Zhaoju

Non-executive Directors:

Ms. Cheng Yijing

Ms. Gao Yuan

Independent non-executive Directors:

Mr. Zha Guiliang

Ms. Fu Jifang

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 June 2026

To the Shareholders

Dear Sirs and Madams,

- (1) PROPOSED APPOINTMENT OF EXECUTIVE DIRECTOR;
(2) PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTOR;
(3) PROPOSED RE-APPOINTMENT OF DOMESTIC AUDITOR AND
APPOINTMENT OF INTERNATIONAL AUDITOR;
(4) MAJOR TRANSACTION – EXTENSION OF THE ENTRUSTED LOAN
GRANTED TO KUNMING DEVELOPMENT;
AND
(5) 2025 ANNUAL GENERAL MEETING**

1. INTRODUCTION

On behalf of the Board, I invite you to attend the AGM to be held at 2:00 p.m. on Friday, 26 June 2026 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 AGM.

LETTER FROM THE BOARD

2. BUSINESSES TO BE CONSIDERED AT THE AGM

The businesses to be considered at the AGM are described in more details in the notice of the AGM as set out on pages 41 to 43 of this circular.

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

- (a) to consider and approve the Report of the Board of Directors for 2025
- (b) to consider and approve the audited financial statements and independent auditor's report for the year ended 31 December 2025
- (c) to consider and approve the profit distribution plan for 2025
- (d) to consider and approve the appointment of Mr. Ma Shuo as an executive Director
- (e) to consider and approve the appointment of Ms. Ding Heng as a non-executive Director
- (f) to consider and approve the re-appointment of Zhongshen Zhonghuan Certified Public Accountants (Special General Partnership) as the domestic auditor of the Company for 2026 and the appointment of ZSZH (HK) Fuson CPA Limited as the international auditor of the Company for 2026 and the determination of their remunerations
- (g) to consider and approve the extension of the entrusted loan of RMB200 million granted to Kunming Development under the Entrusted Loan Contract, the Original Entrusted Loan Extension Agreements, the Entrusted Loan Extension Agreement IV and the Supplemental Entrusted Loan Extension Agreement entered into by the Company with Kunming Development and Chenggong District Rural Credit Cooperative on 24 October 2022, 22 September 2023, 15 July 2024, 19 May 2025 and 12 May 2026 respectively, to 24 May 2027.

Resolution to be proposed at the AGM and passed as special resolution includes:

- (h) to consider and approve the General Mandate to issue Shares

In order to enable you to have a better understanding of the resolutions to be proposed at the AGM and to make decisions in the circumstance where sufficient and necessary information is available, we have provided detailed information in this circular.

LETTER FROM THE BOARD

3. BUSINESSES AT THE AGM

3.1 To consider and approve the Report of the Board of Directors of the Company for 2025

The full text of the Report of the Board of Directors for 2025 is set out in the section headed “Report of the Board of Directors” in the Company’s 2025 annual report published on the website of the Stock Exchange on 16 April 2026.

3.2 To consider and approve the audited financial statements of the Company and the independent auditor’s report for the year ended 31 December 2025

The audited financial statements and independent auditor’s report for the year ended 31 December 2025 are set out in the sections headed “Independent Auditor’s Report” and “Consolidated Financial Statements” in the Company’s 2025 annual report published on the website of the Stock Exchange on 16 April 2026.

3.3 To consider and approve the profit distribution plan of the Company for 2025

Taking into account the future plans and the financial position and cash flow position of the Company, the Board does not recommend the distribution of a final dividend for the year ended 31 December 2025.

3.4 To consider and approve the appointment of Mr. Ma Shuo as an executive Director

Reference is made to the Company’s announcement dated 27 May 2026 in relation to, among other things, (i) the fact that Mr. Chen Changyong (陳昌勇) (“**Mr. Chen**”), an executive Director, has tendered his resignation to the Board on 27 May 2026 due to his personal work change, resigning from his positions as an executive Director, a member of the strategy and investment decision committee of the Company (the “**Strategy and Investment Decision Committee**”), the general manager and other positions, and his resignation became effective on 27 May 2026; and (ii) the proposed appointment of Mr. Ma Shuo (馬碩) (“**Mr. Ma**”) as an executive Director of the first session of the Board of the Company.

As considered and approved at the 271st meeting of the first session of the Board of the Company held on 27 May 2026, it is proposed that Mr. Ma be appointed as an executive Director of the first session of the Board of the Company. A resolution in relation to the proposed appointment of Mr. Ma as an executive Director will be submitted at the AGM for consideration and approval by the Shareholders. The aforementioned proposed appointment will be subject to approval by the Shareholders at the AGM by way of an ordinary resolution.

LETTER FROM THE BOARD

The biographical details of Mr. Ma are set out below:

Mr. Ma Shuo, aged 44, graduated from Yunnan University with a bachelor's degree in economics in July 2007, majoring in finance. He holds qualification certificates in securities, funds and futures.

Mr. Ma worked in the Kunming Ankang Road Securities Business Outlet of Guosen Securities Co., Ltd. (國信證券股份有限公司) from December 2007 to November 2012, and worked at the Kunming Enterprise Financing Service Center* (昆明市企業融資服務中心) from November 2012 to July 2019. He joined the Company in July 2019 and has successively served as the deputy director and director of the Board office (securities affairs department), and is currently the deputy general manager (in charge of the work of management) and a member of the Party Committee of the Company. He also serves as a director of Dianchi International Holdings Limited (滇池國際控股有限公司), a wholly owned subsidiary of the Company, and the secretary to the Party Committee, an executive director and the general manager of Kunming Wastewater Treatment and Operation Co., Ltd. (昆明城市污水處理運營有限責任公司).

The appointment of Mr. Ma as an executive Director will become effective after the resolution of his appointment is approved by the Shareholders at the AGM. Thereafter, the Company will enter into a director's service agreement with Mr. Ma for a term commencing from the day when the aforementioned resolution is considered and approved at the AGM till the day when the election of the next session of the Board is completed. Mr. Ma's remuneration during his tenure as an executive Director comprises basic salary, performance bonus and other benefits. The basic salary shall be determined based on Mr. Ma's position in the Company, the performance bonus shall be determined based on the Company's operating results, and the other benefits include pension insurance, medical insurance and housing provident fund, etc. The amount of his annual remuneration will be determined after appraisal and will be disclosed in the annual report of the Company.

To the best knowledge of the Board, save as disclosed above and as at the Latest Practicable Date: (1) Mr. Ma 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) Mr. Ma is not connected to any Director, senior management, substantial Shareholder or controlling Shareholder of the Company; (3) before Mr. Ma's appointment as an executive Director comes into effect, he does not hold any other positions in the Company or any other member companies of the Group other than serving as the deputy general manager (in charge of the work of management) and a member of the Party Committee of the Company and a director of Dianchi International Holdings Limited (滇池國際控股有限公司), a wholly owned subsidiary of the Company, and the secretary to the Party Committee, an executive director and the general manager of Kunming Wastewater Treatment and Operation Co., Ltd. (昆明城市污水處理運營有限責任公司); and (4) Mr. Ma does not have any interests in the shares of the Company or its associated corporations (as defined in Part XV of the SFO). Save as disclosed above, there is no other information that needs to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules, nor are there any other matters in relation to Mr. Ma that need to be brought to the attention of the Shareholders.

LETTER FROM THE BOARD

3.5 To consider and approve the appointment of Ms. Ding Heng as a non-executive Director

Reference is made to the Company's announcement dated 27 May 2026 in relation to, among other things, (i) the fact that Mr. Xu Jingdong (徐景東) ("Mr. Xu"), a non-executive Director, has tendered his resignation to the Board on 27 May 2026 due to his personal work change, resigning from his position as a non-executive Director, and his resignation became effective on 27 May 2026; and (ii) the proposed appointment of Ms. Ding Heng (丁恒) ("Ms. Ding") as a non-executive Director of the first session of the Board of the Company.

As considered and approved at the 271st meeting of the first session of the Board of the Company held on 27 May 2026, it is proposed that Ms. Ding be appointed as a non-executive Director of the first session of the Board of the Company. A resolution in relation to the proposed appointment of Ms. Ding as a non-executive Director will be submitted at the AGM for consideration and approval by the Shareholders. The aforementioned proposed appointment will be subject to approval by the Shareholders at the AGM by way of an ordinary resolution.

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

Ms. Ding Heng, aged 50, graduated from Yunnan University with a bachelor's degree in management in June 2000, and obtained a master's degree in business administration from Yunnan University in January 2013.

Ms. Ding worked at the Yunnan Branch of Ping An Property & Casualty Insurance Company of China, Ltd. (中國平安財產保險股份有限公司) from May 2012 to May 2013. Since May 2013, she has been working at Kunming Dianchi Investment Co. Ltd.* (昆明滇池投資有限責任公司), successively serving as business assistant in the financing department, deputy manager, manager of the financing department and assistant to the general manager. She currently serves as a member of the Party Committee, a director and the chief financial officer of Kunming Dianchi Investment Co. Ltd.* (昆明滇池投資有限責任公司).

The appointment of Ms. Ding as a non-executive Director will become effective after the resolution of her appointment is approved at the AGM. Thereafter, the Company will enter into a director's service agreement with Ms. Ding for a term commencing from the day when the aforementioned resolution is considered and approved at the AGM till the day when the election of the next session of the Board is completed. Ms. Ding will not receive remuneration from the Company during her tenure as a non-executive Director.

To the best knowledge of the Board, save as disclosed above and as at the Latest Practicable Date: (1) Ms. Ding 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. Ding is not connected to any Director, senior management, substantial Shareholder or controlling Shareholder of the Company; (3) before Ms. Ding's appointment as a 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. Ding does not have any interests in the shares of the Company or its associated corporations (as defined in Part XV of the SFO). Save as disclosed above, there is no other information that needs to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules, nor are there any other matters in relation to Ms. Ding that need to be brought to the attention of the Shareholders.

LETTER FROM THE BOARD

3.6 To consider and approve the re-appointment of Zhongshen Zhonghuan Certified Public Accountants (Special General Partnership) as the domestic auditor of the Company for 2026 and the appointment of ZSZH (HK) Fuson CPA Limited as the international auditor of the Company for 2026 and the determination of their remunerations

Reference is made to the Company's announcement dated 18 May 2026 in relation to, among other things, the proposed re-appointment of domestic auditor and proposed appointment of international auditor. Given that the service contracts of the Company's existing domestic auditor, Zhongshen Zhonghuan Certified Public Accountants (Special General Partnership) ("**Zhongshen Zhonghuan**"), and its existing international auditor, Forvis Mazars CPA Limited ("**Forvis Mazars**"), are due to expire. Pursuant to the service contracts, Zhongshen Zhonghuan and Forvis Mazars will retire upon the expiry of their current terms of office at the conclusion of the AGM.

In accordance with the provisions of the Tendering and Bidding Law of the People's Republic of China, the Guidelines on Compliance Management of Procurement of Kunming Municipal State-owned Enterprises and other relevant laws, regulations and regulatory documents and the Company's internal policies relating to procurement management, the Company has adopted public tendering and competitive negotiation methods (collectively, the "**Tendering and Procurement Procedures**") to select and appoint its domestic and international auditors for 2026 and 2027. Based on the results of the Tendering and Procurement Procedures, it is proposed that Zhongshen Zhonghuan be appointed as the domestic auditor and that ZSZH (HK) Fuson CPA Limited ("**ZSZH (HK) Fuson**") be appointed as the international auditor, and the final appointment is subject to the approval at the general meeting. The Board and the Audit Committee confirm that, as of the Latest Practicable Date, there are no matters relating to the proposed change of the Company's international auditor that need to be brought to the attention of the Shareholders of the Company. Forvis Mazars has also confirmed that there are no matters relating to its retirement as international auditor that need to be brought to the attention of the Shareholders of the Company.

During the implementation of the Tendering and Procurement Procedures, the Company has taken into account important factors such as the professional qualifications, professional competence, integrity status and independence of the auditors. After taking into account the Guidelines for Effective Audit Committees – Selection, Appointment and Reappointment of Auditors (the "**Guidelines**") issued by the Accounting and Financial Reporting Council (the "**AFRC**") in December 2021, including "Section 2 – Selection and appointment of auditors" in the Guidelines, and the Guidance Notes on Change of Auditors issued by the AFRC in September 2023, and based on the results of the Tendering and Procurement Procedures, the Audit Committee and the Board evaluated Zhongshen Zhonghuan and ZSZH (HK) Fuson in respect of, among other things, the following aspects:

- (i) Resource allocation, quality and capability, including but not limited to manpower, time and other resources. The Audit Committee reviewed the audit scope, audit methodology, project team structure and staffing, timetable, technical support, etc., as set out in the bidding documents of Zhongshen Zhonghuan and ZSZH (HK) Fuson. Zhongshen Zhonghuan and ZSZH (HK) Fuson propose to deploy not fewer than 14 accountants and devote no less than 4,500 hours each year to cover the Group's 2026 and 2027 audit. Following a comprehensive assessment, the Audit Committee concluded that Zhongshen Zhonghuan and ZSZH (HK) Fuson have sufficient resources, a reasonable team structure and adequate capability to undertake the audit of the Group.

LETTER FROM THE BOARD

- (ii) Independence and objectivity. The Audit Committee reviewed the quality management statements in the bidding documents of Zhongshen Zhonghuan and ZSZH (HK) Fuson, with reference to applicable professional and ethical requirements. In addition, Zhongshen Zhonghuan and ZSZH (HK) Fuson have performed internal conflict of interest reviews and all necessary procedures for engagement acceptance and continuance, the results of which indicated no circumstances that would adversely affect their independence. After making all reasonable enquiries, the Audit Committee is not aware, to the best of its knowledge and belief, of any relationships or circumstances that may adversely affect the independence and objectivity of Zhongshen Zhonghuan and ZSZH (HK) Fuson in acting as the Company's auditors.
- (iii) Experience and technical competence, industry knowledge, and familiarity with the Listing Rules and International Financial Reporting Standards. The Audit Committee examined the professional qualifications, relevant audit experience, technical competence and industry knowledge of Zhongshen Zhonghuan and ZSZH (HK) Fuson. The proposed engagement teams of Zhongshen Zhonghuan and ZSZH (HK) Fuson will be led by audit partners with around 20 years of experience in auditing a wide variety of businesses, including Hong Kong – and PRC-listed companies, and who, over the course of their audit careers, have collectively been involved in audits of a number of Hong Kong – and PRC-listed issuers, including the audits of more than 50 Hong Kong listed issuers, supported by managers and staff with appropriate qualifications and sector knowledge. Based on the previous audit cases and the background of team members of Zhongshen Zhonghuan and ZSZH (HK) Fuson, the Audit Committee considers that Zhongshen Zhonghuan and ZSZH (HK) Fuson possess the requisite capability and technical expertise.
- (iv) Fee quotation and reputation. Taking into account the audit scope, size and complexity of the Group, as well as the resources proposed by Zhongshen Zhonghuan and ZSZH (HK) Fuson to be deployed for the Group's audit as set out in their bidding documents, the Audit Committee considered the fee quotation to be reasonable. Zhongshen Zhonghuan and ZSZH (HK) Fuson have described in their bidding documents the establishment and maintenance of their internal quality management systems, and the Audit Committee has taken such factor of quality management system into consideration. In addition, based on publicly available information on regulatory status and inspection findings, the Audit Committee has not identified any disciplinary actions against the proposed audit engagement partners or key engagement quality reviewers of the project team.

On the basis of the comprehensive assessment described above, the Audit Committee and the Board have considered and approved the proposed appointment of Zhongshen Zhonghuan and ZSZH (HK) Fuson as the Company's domestic auditor and international auditor, respectively, for 2026 (the "**Proposed Appointment**").

To reduce tendering and procurement costs, the Company has opted to procure services for two years at once during the Tendering and Procurement Procedures. Nevertheless, the Company has stated in the relevant tendering and procurement documents that, after the expiry of the first service year, the Company will assess the successful bidder(s) and their services to confirm that their professional competence and service quality continue to meet the Company's requirements before renewing the contract for the second service year. Zhongshen Zhonghuan and ZSZH (HK) Fuson have no objection to this arrangement. The Company will carry out the relevant assessment work after the expiry of the first service year and will propose a resolution at the general meeting for Shareholders' decision on the assessment results and on whether to recommend renewing the contract for the second service year.

LETTER FROM THE BOARD

Based on the results of the Tendering and Procurement Procedures, the aggregate remuneration of Zhongshen Zhonghuan and ZSZH (HK) Fuson as the Company's domestic auditor and international auditor is RMB1.88 million per service year (tax inclusive). Such remuneration has been determined after taking into account factors such as the Company's business volume, industry characteristics, required resources and current market conditions, and is not materially different from the remuneration of the Company's auditors of RMB1.98 million (tax inclusive) for 2025.

The Proposed Appointment is subject to approval by the Shareholders of the Company at the AGM and the execution of appointment agreements between the Company and each of Zhongshen Zhonghuan and ZSZH (HK) Fuson. Zhongshen Zhonghuan and ZSZH (HK) Fuson shall serve as the Company's domestic auditor and international auditor, respectively, for 2026 until the conclusion of the Company's next annual general meeting.

3.7 To consider and approve the extension of the entrusted loan granted to Kunming Development

References are made to the Company's announcements dated 24 October 2022, 22 September 2023, 15 July 2024 and 19 May 2025 (the "**Announcements**"), respectively, in relation to (i) the entering into of the Entrusted Loan Contract by the Company (as trustor) with Kunming Development (as borrower) and Chenggong District Rural Credit Cooperative (as trustee) in respect of the Entrusted Loan Transaction on 24 October 2022. Pursuant to the Entrusted Loan Contract, 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; (ii) the entering into of the Entrusted Loan Extension Agreement I and the Supplemental Entrusted Loan Extension Agreement I by the Company with Kunming Development and Chenggong District Rural Credit Cooperative in respect of the Entrusted Loan Contract on 22 September 2023 to extend the term of all entrusted loan with principal amount of RMB200 million under the Entrusted Loan Contract to 24 August 2024; (iii) the entering into of the Entrusted Loan Extension Agreement II by the Company with Kunming Development and Chenggong District Rural Credit Cooperative in respect of the Entrusted Loan Contract, the Entrusted Loan Extension Agreement I and the Supplemental Entrusted Loan Extension Agreement I on 15 July 2024 to extend the term of all entrusted loan with principal amount of RMB200 million under the Entrusted Loan Contract/the Entrusted Loan Extension Agreement I/the Supplemental Entrusted Loan Extension Agreement I to 24 July 2025; and (iv) the entering into of the Entrusted Loan Extension Agreement III by the Company with Kunming Development and Chenggong District Rural Credit Cooperative in respect of the Entrusted Loan Contract, the Entrusted Loan Extension Agreement I, the Supplemental Entrusted Loan Extension Agreement I and the Entrusted Loan Extension Agreement II on 19 May 2025 to extend the term of all entrusted loan with principal amount of RMB200 million under the Entrusted Loan Contract/the Entrusted Loan Extension Agreement I/the Supplemental Entrusted Loan Extension Agreement I/the Entrusted Loan Extension Agreement II to 24 June 2026, respectively. The total interest income to be recognized throughout the duration of the Entrusted Loan Extension Agreement III is approximately RMB11.0 million. As at 30 April 2026, the Company has recognized interest income of approximately RMB9.3 million and the remaining unrecognized interest income will be recognized over the remaining term of the Entrusted Loan Extension Agreement III in accordance with the provisions of the Entrusted Loan Contract and the Entrusted Loan Extension Agreement III. As of the Latest Practicable Date, Kunming Development has paid the corresponding interest in accordance with the relevant provisions of the Entrusted Loan Contract and the Original Entrusted Loan Extension Agreements and there is no outstanding interest payable which should be settled.

LETTER FROM THE BOARD

After arm's length negotiation, the Company entered into the Entrusted Loan Extension Agreement IV and the Supplemental Entrusted Loan Extension Agreement in respect of the Entrusted Loan Contract and the Original Entrusted Loan Extension Agreements with Kunming Development and Chenggong District Rural Credit Cooperative on 12 May 2026 (after trading hours) to extend the term of all entrusted loan with principal amount of RMB200 million under the Entrusted Loan Contract/the Original Entrusted Loan Extension Agreements to 24 May 2027. Save for the amendments specified in the Entrusted Loan Extension Agreement IV and the Supplemental Entrusted Loan Extension Agreement, all other terms and conditions of the Entrusted Loan Contract and the Original Entrusted Loan Extension Agreements remain unchanged.

(1) *Entrusted Loan Contract, Original Entrusted Loan Extension Agreements, Entrusted Loan Extension Agreement IV and Supplemental Entrusted Loan Extension Agreement*

Except for the amendments set out in the Entrusted Loan Extension Agreement IV and the Supplemental Entrusted Loan Extension Agreement, all other terms and conditions of the Entrusted Loan Contract and the Original Entrusted Loan Extension Agreements remain unchanged.

Salient terms of the Entrusted Loan Contract, the Original Entrusted Loan Extension Agreements, the Entrusted Loan Extension Agreement IV and the Supplemental Entrusted Loan Extension Agreement are set out below:

	Entrusted Loan Contract	Original Entrusted Loan Extension Agreements	Entrusted Loan Extension Agreement IV and Supplemental Entrusted Loan Extension Agreement
Date:	24 October 2022	(i) Entrusted Loan Extension Agreement I/Supplemental Entrusted Loan Extension Agreement I: 22 September 2023 (ii) Entrusted Loan Extension Agreement II: 15 July 2024 (iii) Entrusted Loan Extension Agreement III: 19 May 2025	12 May 2026

LETTER FROM THE BOARD

	Entrusted Loan Contract	Original Entrusted Loan Extension Agreements	Entrusted Loan Extension Agreement IV and Supplemental Entrusted Loan Extension Agreement
Parties:	<ul style="list-style-type: none"> (i) the Company (as trustor) (ii) Kunming Development (as borrower) (iii) Chenggong District Rural Credit Cooperative (as trustee) 	<ul style="list-style-type: none"> (i) the Company (as trustor) (ii) Kunming Development (as borrower) (iii) Chenggong District Rural Credit Cooperative (as trustee) 	<ul style="list-style-type: none"> (i) the Company (as trustor) (ii) Kunming Development (as borrower) (iii) Chenggong District Rural Credit Cooperative (as trustee)
Principal amount of the entrusted loan/extension amount:	RMB200 million	Extension amount of RMB200 million	Extension amount of RMB200 million
Term/term of extension:	11 months, i.e. from 24 October 2022 to 24 September 2023, and if there is an early maturity of the entrusted loan declared in accordance with the Entrusted Loan Contract, the loan shall be deemed to become due at an earlier date accordingly and the interest shall be calculated based on the actual number of days and amount used.	<ul style="list-style-type: none"> (i) Entrusted Loan Extension Agreement I/Supplemental Entrusted Loan Extension Agreement I: 11 months, i.e. from 24 September 2023 to 24 August 2024. Other relevant provisions of the Entrusted Loan Contract remain applicable. (ii) Entrusted Loan Extension Agreement II: 11 months, i.e. from 24 August 2024 to 24 July 2025. Other relevant provisions of the Entrusted Loan Contract remain applicable. (iii) Entrusted Loan Extension Agreement III: 11 months, i.e. from 24 July 2025 to 24 June 2026. Other relevant provisions of the Entrusted Loan Contract remain applicable. 	11 months, i.e. from 24 June 2026 to 24 May 2027. Other relevant provisions of the Entrusted Loan Contract remain applicable.

LETTER FROM THE BOARD

	Entrusted Loan Contract	Original Entrusted Loan Extension Agreements	Entrusted Loan Extension Agreement IV and Supplemental Entrusted Loan Extension Agreement
Interest rate:	<p>The interest rate is fixed at 8.5% per annum calculated by adding 485 basis points to the prime rate for a one-year loan for one day prior to the date of the Entrusted Loan Contract. Interest shall be paid quarterly and the interest settlement date is the 20th day of the last month of each quarter.</p>	<p>(i) Entrusted Loan Extension Agreement I/Supplemental Entrusted Loan Extension Agreement I and Entrusted Loan Extension Agreement II: 8.5% per annum, and interest due and outstanding shall be handled pursuant to the provisions on compound interest set out in the Entrusted Loan Contract. Interest is payable pursuant to the provisions of the Entrusted Loan Contract, i.e. interest shall be paid quarterly and the interest settlement date is the 20th day of the last month of each quarter.</p> <p>(ii) Entrusted Loan Extension Agreement III: 6.0% per annum, and interest due and outstanding shall be handled pursuant to the provisions on compound interest set out in the Entrusted Loan Contract. Interest is payable pursuant to the provisions of the Entrusted Loan Contract, i.e. interest shall be paid quarterly and the interest settlement date is the 20th day of the last month of each quarter.</p>	<p>6.0% per annum, and interest due and outstanding shall be handled pursuant to the provisions on compound interest set out in the Entrusted Loan Contract. Interest is payable pursuant to the provisions of the Entrusted Loan Contract, i.e. interest shall be paid quarterly and the interest settlement date is the 20th day of the last month of each quarter.</p>

LETTER FROM THE BOARD

	Entrusted Loan Contract	Original Entrusted Loan Extension Agreements	Entrusted Loan Extension Agreement IV and Supplemental Entrusted Loan Extension Agreement
Release of loan:	The principal of entrusted loan will be released to Kunming Development in one lump sum. The conditions precedent for the release of the principal of entrusted loan include the borrower having opened an account with the trustee in accordance with the trustee's requirements; the borrower having submitted a withdrawal application to the Company in advance in accordance with the deadline stipulated in the Entrusted Loan Contract, etc.	Not applicable	Not applicable
Repayment of loan:	Interest is payable quarterly in arrears and principal is repaid in one lump sum upon maturity. All principal, interest, etc. are required to be settled by the date of expiry of the term of entrusted loan.	Principal shall be repaid in one lump sum upon maturity of the term of extension. Other relevant provisions of the Entrusted Loan Contract remain applicable.	Principal shall be repaid in one lump sum upon maturity of the term of extension. Other relevant provisions of the Entrusted Loan Contract remain applicable.

LETTER FROM THE BOARD

	Entrusted Loan Contract	Original Entrusted Loan Extension Agreements	Entrusted Loan Extension Agreement IV and Supplemental Entrusted Loan Extension Agreement
Early repayment and extension of loan:	<p>With the consent of the Company, Kunming Development may repay part or all of the loan within the term of the entrusted loan after completing the formalities in accordance with the relevant provisions of the Entrusted Loan Contract.</p> <p>If Kunming Development needs to extend the entrusted loan, Kunming Development shall submit a written application for extension to the Company at least 30 days prior to the maturity date of the Entrusted Loan Contract or an individual loan which shall be reviewed and approved by the Company, and the extension agreement shall be signed in accordance with relevant terms before the loan can be extended accordingly.</p> <p>If the Company does not agree with the extension, Kunming Development shall repay the principal and interest of the entrusted loan in accordance with the terms of the Entrusted Loan Contract.</p>	<p>Relevant provisions of the Entrusted Loan Contract remain applicable.</p>	<p>Relevant provisions of the Entrusted Loan Contract remain applicable.</p>

LETTER FROM THE BOARD

	Entrusted Loan Contract	Original Entrusted Loan Extension Agreements	Entrusted Loan Extension Agreement IV and Supplemental Entrusted Loan Extension Agreement
Service charge:	RMB10,000, which shall be borne by the Company and shall be paid in one lump sum to the trustee within 7 days from the date of signing of the Entrusted Loan Contract.	<p>(i) Entrusted Loan Extension Agreement I/Supplemental Entrusted Loan Extension Agreement I: RMB10,000, which shall be paid by the Company in one lump sum to the trustee within 5 days from the date of signing of the Entrusted Loan Extension Agreement I. Once paid, the service charge is non-refundable by the trustee.</p> <p>(ii) Entrusted Loan Extension Agreement II/Entrusted Loan Extension Agreement III: The service charge is RMB200,000 for each extension calculated based on 0.1% of the amount of each extension, which shall be paid by the Company in one lump sum to the trustee within 5 working days after the Entrusted Loan Extension Transaction II/Entrusted Loan Extension Transaction III has been implemented. Once paid, the service charge is non-refundable by the trustee.</p>	A lump sum payment of 0.1% (i.e. RMB200,000) of the extension amount will be paid by the Company to the trustee within 5 working days after the execution of the Entrusted Loan Extension Transaction IV. Once paid, the service charge is non-refundable by the trustee.

LETTER FROM THE BOARD

	Entrusted Loan Contract	Original Entrusted Loan Extension Agreements	Entrusted Loan Extension Agreement IV and Supplemental Entrusted Loan Extension Agreement
Others:	Nil	<p>(i) Entrusted Loan Extension Agreement I/Supplemental Entrusted Loan Extension Agreement I: The Entrusted Loan Extension Transaction I shall be subject to consideration and approval at the extraordinary general meeting of the Company, and the Company will convene the extraordinary general meeting as soon as possible and will timely (no later than 30 November 2023) notify the trustee and Kunming Development of the resolution of the extraordinary general meeting. If the Company fails to provide relevant resolution of the extraordinary general meeting on or before 30 November 2023, Kunming Development is required to repay all principal of the entrusted loan (i.e. RMB200 million) and settle all interest payable up to the date of repayment of the principal of the entrusted loan within 3 business days from 30 November 2023 and cooperate in completing relevant procedures for transfer of funds. If Kunming Development fails to fulfill the aforesaid repayment obligations as scheduled, the trustor shall have the right to deduct the relevant amount from any account opened by Kunming Development.</p>	<p>The Entrusted Loan Extension Transaction IV shall be subject to consideration and approval at the Shareholders' general meeting of the Company, and the Company will convene the Shareholders' general meeting as soon as possible and will timely (no later than 30 July 2026) notify the trustee and Kunming Development of the resolution of the Shareholders' general meeting. If the Company fails to provide relevant resolution of the Shareholders' general meeting on or before 30 July 2026, Kunming Development is required to repay all principal of the entrusted loan (i.e. RMB200 million) and settle all interest payable up to the date of repayment of the principal of the entrusted loan within 3 business days from 30 July 2026 and cooperate in completing relevant procedures for transfer of funds. If Kunming Development fails to fulfill the aforesaid repayment obligations as scheduled, the trustor shall have the right to deduct the relevant amount from any account opened by Kunming Development.</p>

LETTER FROM THE BOARD

Entrusted Loan Contract	Original Entrusted Loan Extension Agreements	Entrusted Loan Extension Agreement IV and Supplemental Entrusted Loan Extension Agreement
	<p>If the Entrusted Loan Extension Transaction I is not approved by the Shareholders at the aforesaid extraordinary general meeting, Kunming Development shall be required to repay the principal of the entrusted loan (i.e. RMB200 million) and settle all interest payable up to the date of repayment of the principal of the entrusted loan immediately after the disapproval of the resolution at the aforesaid extraordinary general meeting and cooperate in completing relevant procedures for transfer of funds. Kunming Development shall complete the aforesaid repayment within 3 business days from the date of disapproval of the resolution at the extraordinary general meeting of the Company. If Kunming Development fails to fulfill the aforesaid repayment obligations as scheduled, the trustor shall have the right to deduct the relevant amount from any account opened by Kunming Development.</p>	<p>If the Entrusted Loan Extension Transaction IV is not approved by the Shareholders at the aforesaid Shareholders' general meeting, Kunming Development shall be required to repay the principal of the entrusted loan (i.e. RMB200 million) and settle all interest payable up to the date of repayment of the principal of the entrusted loan immediately after the disapproval of the resolution at the aforesaid Shareholders' general meeting and cooperate in completing relevant procedures for transfer of funds. Kunming Development shall complete the aforesaid repayment within 3 business days from the date of disapproval of the resolution at the Shareholders' general meeting of the Company. If Kunming Development fails to fulfill the aforesaid repayment obligations as scheduled, the trustor shall have the right to deduct the relevant amount from any account opened by Kunming Development.</p>

LETTER FROM THE BOARD

Entrusted Loan Contract	Original Entrusted Loan Extension Agreements	Entrusted Loan Extension Agreement IV and Supplemental Entrusted Loan Extension Agreement
	<p>(ii) Entrusted Loan Extension Agreement II: The Entrusted Loan Extension Transaction II shall be subject to consideration and approval at the extraordinary general meeting of the Company, and the Company will convene the extraordinary general meeting as soon as possible and will timely (no later than 24 August 2024) notify the trustee and Kunming Development of the resolution of the extraordinary general meeting. If the Company fails to provide the resolution in relation to the Entrusted Loan Extension Transaction II for consideration and approval at the extraordinary general meeting on or before 24 August 2024, the Entrusted Loan Extension Agreement II shall cease to be effective, and Kunming Development is required to repay all principal of the entrusted loan (i.e. RMB200 million) and settle all interest payable up to the date of repayment of the principal of the entrusted loan within 3 business days from the date on which the Entrusted Loan Extension Agreement II ceases to be effective and cooperate in completing relevant procedures for transfer of funds. If Kunming Development fails to fulfill the aforesaid repayment obligations as scheduled, the trustor shall have the right to deduct the relevant amount from any account opened by Kunming Development.</p>	

LETTER FROM THE BOARD

Entrusted Loan Contract	Original Entrusted Loan Extension Agreements	Entrusted Loan Extension Agreement IV and Supplemental Entrusted Loan Extension Agreement
	<p>(iii) The Entrusted Loan Extension Transaction III shall be subject to consideration and approval at the Shareholders' general meeting of the Company, and the Company will convene the Shareholders' general meeting as soon as possible and will timely (no later than 24 July 2025) notify the trustee and Kunming Development of the resolution of the Shareholders' general meeting. If the Company fails to provide relevant resolution of the Shareholders' general meeting to consider and approve the Entrusted Loan Extension Transaction III on or before 24 July 2025, the Entrusted Loan Extension Agreement III will no longer be fulfilled and Kunming Development will be required to repay all principal of the entrusted loan (i.e. RMB200 million) and settle all interest payable up to the date of repayment of the principal of the entrusted loan in accordance with the agreed expiration time (no later than 24 July 2025) of the Entrusted Loan Contract and the Entrusted Loan Extension Agreement II and cooperate in completing relevant procedures for transfer of funds. If Kunming Development fails to fulfill the aforesaid repayment obligations as scheduled, the trustor shall have the right to deduct the relevant amount from any account opened by Kunming Development.</p>	

LETTER FROM THE BOARD

Basis of interest rate

The fixed annual interest rate of 6.0% under the Entrusted Loan Extension Agreement IV was negotiated on an arm's length basis between the Company and Kunming Development based on (1) the fact that the interest rate under the Entrusted Loan Extension Agreement IV was up by 3.0% as compared to the prime rate of 3.0% for 1-year loans denominated in RMB promulgated by the National Interbank Funding Center as at 20 April 2026; (2) prevailing market interest rate and practices; (3) the returns of the Company within a reasonable range; and (4) the Company's assessment on the business conditions and creditworthiness of Kunming Development.

(2) *Reasons for and Benefits of the Entrusted Loan Extension Transaction IV*

As of the Latest Practicable Date, Kunming Development has settled all the interest payable pursuant to the relevant provisions of the Entrusted Loan Contract and the Original Entrusted Loan Extension Agreements and there is no outstanding interest payable which should be settled. By entering into the Entrusted Loan Extension Agreement IV, it will increase the interest income of the Company and facilitate the cooperation between the Group and Kunming Development in innovative financing models. The interest rate of the entrusted loan under the Entrusted Loan Extension Agreement IV is 6.0% per annum, and the entering into of the Entrusted Loan Extension Agreement IV will generate an interest income of approximately RMB11.0 million for the Company. Kunming Development has a good credit standing. On 24 November 2022, the Company applied to a financial institution for a project loan in the amount of RMB280 million with a term of 22 years commencing from the date on which the financial institution actually disburses the loan to the Company. Kunming Development provided a maximum joint and several guarantee in respect of such project loan. Based on the Company's funding requirements, the financial institution had cumulatively disbursed RMB235 million of the loan to the Company in 2022. As of 30 April 2026, the outstanding balance of the project loan was RMB197 million. Accordingly, as of 30 April 2026, the amount of guarantee provided by Kunming Development for the Company's project loan was RMB197 million. The guarantee provided by Kunming Development has facilitated the obtaining of such long term loan and benefited the Company's debt structure adjustment, thereby gradually forming a mutually beneficial and win-win financing model between the two parties.

In 2026, the Company's capital expenditure is not expected to increase significantly. Moreover, based on its understanding of customers' budget situations, the Company expects that the cash received from its operations during the year will increase compared with the previous year, and the Company has sufficient working capital to meet the requirements of its operations and plans. At the same time, the relevant provisions regarding early repayment under the Entrusted Loan Contract remain applicable to the Entrusted Loan Extension Agreement IV and, hence, the Company is entitled to negotiate with Kunming Development regarding early repayment of the entrusted loan if it sees appropriate. In addition, under the terms of the Entrusted Loan Contract, if Kunming Development is in default (e.g., fails to repay the principal and interest in full as agreed, or provides false documents) or may jeopardize the claim (e.g., is involved in a major dispute or litigation, or has significant adverse changes in its equity structure, production and operation, or foreign investment), the Company has the right to declare the entrusted loan to be immediately due and to immediately recover the outstanding amount, and to charge a penalty interest and compound interest.

LETTER FROM THE BOARD

Kunming Development has not provided a guarantee in respect of the Entrusted Loan Extension Transaction IV. Prior to the entering into of the Entrusted Loan Extension Agreement IV and the Supplemental Entrusted Loan Extension Agreement, the Company commenced an examination of the relevant supporting documents provided by Kunming Development, such as audited financial statements, debt situation and future development, etc., and conducted inquiries and investigations into other public information. For the year ended 31 December 2025, Kunming Development had total audited assets of approximately RMB18,352 million, realized revenue of approximately RMB2,516 million in 2025 and net cash generated from operating activities of approximately RMB362 million. Meanwhile, the Company obtained a Credit Rating Report dated 23 March 2026 issued by a third-party appraisal company for Kunming Development, in which the credit rating of Kunming Development was AA (i.e., it has a strong ability to repay debts, is not significantly affected by adverse economic conditions, and has a very low probability of default), which was consistent with the previous period. Upon the Company's comprehensive assessment of Kunming Development's cash flow situation, solvency, stable rating, current operating conditions and future development, the Company is of the view that Kunming Development has the ability to repay its debts, the entering into of the Entrusted Loan Extension Agreement IV and the Supplemental Entrusted Loan Extension Agreement will not have an impact on the credit assessment and solvency of Kunming Development. After comprehensive assessment of the above factors, the Company considers that the risks under the Entrusted Loan Extension Transaction IV are generally manageable.

For the above reasons, the Directors (including independent non-executive Directors) believe that the transaction is entered into on normal commercial terms, and is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

(3) Financial Impact

The Entrusted Loan Extension Transaction IV does not involve the release of new funds and the principal amount granted under the entrusted loan has been reflected in the Company's audited consolidated financial statements as of 31 December 2022, 31 December 2023, 31 December 2024 and 31 December 2025. The term of the Entrusted Loan Extension Transaction IV is 11 months and is expected to generate revenue of approximately RMB11.0 million.

(4) Details of the Parties to the Entrusted Loan Contract, the Original Entrusted Loan Extension Agreements, the Entrusted Loan Extension Agreement IV and the Supplemental Entrusted Loan Extension Agreement

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.

LETTER FROM THE BOARD

Kunming Development

Kunming Development is a wholly state-owned company wholly owned directly by Kunming SASAC. Through years of development, it has established a diversified business portfolio covering new energy, concessions, commodity sales, refined oil sales and urban commercial operations. As an important industrial entity operating urban public resources and an important subject of urban construction in Kunming, Kunming Development occupies a high position in the urban development strategy of Kunming, with some of its businesses enjoying regional monopoly advantages, and its new energy business enjoying a competitive edge in the region with a strong overall competitiveness.

Chenggong District Rural Credit Cooperative

Chenggong District Rural Credit Cooperative is a China-based financial institution that is mainly engaged in taking public deposits and providing loans and other activities. It is owned as to 100% by Yunnan Rural Credit Cooperative Association* (雲南省農村信用社聯合社), which is in turn directly owned as to 100% by the People's Government of Yunnan Province.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, as at the Latest Practicable Date, Kunming Development is not a connected person of the Company as defined under the Listing Rules, and Chenggong District Rural Credit Cooperative is a third party independent of the Company and its connected person(s).

(5) Listing Rules Implications

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the Entrusted Loan Extension Agreement IV, the Supplemental Entrusted Loan Extension Agreement and the Entrusted Loan Extension Transaction IV contemplated thereunder are more than 25% but less than 75%, the entering into of the Entrusted Loan Extension Agreement IV, the Supplemental Entrusted Loan Extension Agreement and the Entrusted Loan Extension Transaction IV contemplated thereunder constitute a major transaction of the Company and shall be subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Entrusted Loan Extension Transaction IV shall be subject to Shareholders' review and approval. If the Entrusted Loan Extension Transaction IV fails to obtain the aforementioned Shareholders' approval, Kunming Development shall be required to repay all principal of the entrusted loan (i.e. RMB200 million) under the Entrusted Loan Contract and settle all interest payable up to the date of repayment of the principal of the entrusted loan.

LETTER FROM THE BOARD

3.8 To consider and approve the General Mandate to issue Shares

In order to meet the capital requirements of the Company for its continuous business development, to utilize financing platforms effectively and flexibly and to take advantage of capital market windows in a timely manner, in accordance with the applicable laws and regulations of the PRC, the Listing Rules and the Articles of Association, the Company proposes to grant the General Mandate to the Board by way of resolution at the AGM to allot, issue or deal with additional Shares not exceeding 20% of the total number of Shares of the Company, respectively, in issue on the date of passing such resolution. As at the Latest Practicable Date, the total issued Shares of the Company comprised 1,029,111,000 Shares. Subject to the passing of the resolution related to the granting of the General Mandate and on the basis that no further Shares will be issued before the AGM, the Company will be allowed to issue a maximum of 205,822,200 Shares in accordance with the General Mandate.

(A) Specific plans on the General Mandate to issue Shares:

(a) Subject to the conditions set out in (b) below, the Board is hereby authorized to approve, allot, issue, grant and/or otherwise deal with Shares (Domestic Shares and/or H Shares), securities convertible into Shares, and options, warrants to subscribe for or convertible into Shares or other securities with rights to subscribe for or convert into Shares, separately or at the same time during the Relevant Period (as defined below).

Notwithstanding the fulfillment of the conditions set out in (b) below, if the allotment of voting Shares will result in a de facto change of control of the Company, the Board of the Company shall separately obtain authorization by way of a special resolution in advance before making such an allotment.

(b) The number of Shares (Domestic Shares and/or H Shares), securities convertible into Shares, or options, warrants to subscribe for or convertible into Shares or other securities with rights to subscribe for or convert into Shares proposed to be approved, allotted, issued, granted and/or otherwise dealt with by the Board shall not exceed 20% of the total number of the Shares in issue of the Company as at the date on which this resolution is passed at the AGM.

(c) For the purposes of this resolution: “Relevant Period” means the period from the date on which this special resolution is passed at the Shareholders’ general meeting until the earliest of: 1. the conclusion of the next annual general meeting of the Company following the date of passing of this resolution; 2. the expiration of twelve months following the date of passing of this resolution at a general meeting; 3. the date on which the authority granted to the Board under this resolution is revoked or varied by a special resolution of the Shareholders at a Shareholders’ general meeting.

LETTER FROM THE BOARD

(d) The Board is hereby authorized to determine the details of the issuance plan, including but not limited to: 1. the class and number of Shares proposed to be issued; 2. the pricing basis and/or the offer price (including the price range); 3. the date of opening and closing of the issuance; 4. the specific use of the proceeds raised; 5. the recommendation, agreement and share options to be made or granted for the exercise of the said power; 6. other content to be included in the detailed issuance plan as required by the relevant laws and regulations and other regulatory documents, the relevant regulatory authorities and the local stock exchange where the Shares are listed.

(e) The Board is hereby authorized to implement the issuance plan and deal with the matters related to an increase in the registered capital of the Company so as to reflect the Shares authorized to be issued by the Company under this resolution, and to make such amendments as it deems appropriate and necessary to the provisions related to the issuance of Shares and registered capital in the Articles of Association, and to adopt and complete any other actions and procedures that are necessary for the implementation of the issuance plan and the completion of the increase in the registered capital of the Company.

(B) Relevant mandate

In order to enhance the efficiency of decision-making, reduce internal approval procedures and grasp market opportunities, in respect of the General Mandate to issue Shares, it is proposed to the Board, which in turn proposed to the Shareholders' general meeting to approve the authorization of the Board and any persons authorized by the Board to deal with the matters in connection with the General Mandate to issue Shares. The specific details of the abovementioned mandate given to the authorized persons will be separately determined upon the exercise of the General Mandate by the Board under this resolution.

4. THE AGM

A form of proxy for the AGM is enclosed, 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 AGM, you are required to complete and return the proxy form in accordance with the instructions printed thereon. For holders of H Shares, the proxy form should be returned to Tricor Investor Services Limited and for holders of Domestic Shares, the proxy form should be returned to the Company's registered office and headquarters in the PRC by personal delivery or by post in any event not less than 24 hours before the time fixed for holding the AGM (i.e. before 2:00 p.m. on Thursday, 25 June 2026) or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the AGM or at any other adjourned meeting.

LETTER FROM THE BOARD

5. VOTING BY POLL

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

As of the Latest Practicable Date, Kunming Development held 20,959,760 Domestic Shares of the Company, representing approximately 2.04% of the issued share capital of the Company. Therefore, Kunming Development and its associates are required to abstain from voting on the ordinary resolution to be proposed at the AGM for approving the Entrusted Loan Extension Transaction IV.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, save as disclosed above, no other Shareholder has a material interest in the Entrusted Loan Extension Transaction IV, and no other Shareholder is required to abstain from voting on the resolution approving the Entrusted Loan Extension Transaction IV at the AGM.

6. RECOMMENDATIONS

The Board considers that all the resolutions proposed at the AGM are in the interests of the Company and its Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of all the proposed resolutions at the AGM.

Yours faithfully,
Mu Yong
Chairperson

* *For identification purposes 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 2023, 2024 and 2025 are disclosed in the following annual reports of the Company for the years ended 31 December 2023, 2024 and 2025, 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 2023 published on 18 April 2024 (available at <https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0418/2024041800330.pdf>), particularly as shown in pages 170 to 316.
- (ii) 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.
- (iii) The Group's annual report for the year ended 31 December 2025 published on 16 April 2026 (available at <https://www1.hkexnews.hk/listedco/listconews/sehk/2026/0416/2026041600374.pdf>), particularly as shown in pages 158 to 304.

2. INDEBTEDNESS OF THE GROUP

As at the close of business on 30 April 2026, 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 interest-bearing borrowings of approximately RMB29.9 million and unsecured non-current interest-bearing borrowings of approximately RMB169.5 million; (ii) secured current interest-bearing borrowings of approximately RMB3,188.9 million, secured non-current interest-bearing borrowings of approximately RMB1,700.5 million, all of which were mainly secured by the Group's revenue from sewage treatment, together with the property, plant and equipment with carrying value of approximately RMB648.1 million; (iii) payables on acquisition of property, plant and equipment (including construction in progress) of approximately RMB215.0 million; and (iv) capital expenditure contracted for property, plant and equipment of approximately RMB816.3 million and commitment for concession projects and construction projects contracted approximately RMB681.3 million.

Save as disclosed above and apart from intra-group liabilities and normal trade payables in the ordinary course of business, at the close of business on 30 April 2026, 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 reporting accountant 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 2025, 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 2025, 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 2025, 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 2025, 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 2025, 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 2025, 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 2025, 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 chief executives 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 <i>(share)</i>	Approximate percentage of the total issued share capital of the Company <i>(%)</i>	Approximate percentage of the relevant class of Shares of the Company <i>(%)</i>
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) <i>(Note 3)</i>	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) <i>(Note 4)</i>	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) <i>(Notes 5 and 7)</i>	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) <i>(Notes 5 and 7)</i>	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) <i>(Notes 6 and 7)</i>	4.64%	14.04%
Beijing Enterprises Water Group Limited	Beneficial owner	H Shares	47,754,000 (long positions) <i>(Notes 6 and 7)</i>	4.64%	14.04%
Beijing Enterprises Investments Limited	Interest of controlled corporation	H Shares	47,754,000 (long positions) <i>(Notes 6 and 7)</i>	4.64%	14.04%

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

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).

The judicial auction 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 will be conducted on the JD.com Judicial Auction Online Platform from 15:00 on 15 June 2026 to 15:00 on 16 June 2026, and as at the Latest Practicable Date, the judicial auction is still at the public announcement stage and there is uncertainty as to whether the sale will ultimately be successful (please refer to the Company's announcement dated 26 May 2026 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 2025 (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

None of the Directors held any position 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.

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 and 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 Entrusted Loan Extension Agreement I/ the Supplemental Entrusted Loan Extension Agreement I/the Entrusted Loan Extension Agreement II to 24 June 2026. On 12 May 2026, the Company entered into the Entrusted Loan Extension Agreement IV and the Supplemental Entrusted Loan Extension Agreement 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 May 2027, and the Entrusted Loan Extension Transaction IV shall be 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 October 2022, 22 September 2023, 25 October 2023, 15 July 2024, 5 August 2024, 19 May 2025, 6 June 2025 and 12 May 2026 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 Co., Ltd., to adjust and supplement the finance lease term, interest rate and rental payment arrangement. On 10 November 2025, the Company entered into the supplemental agreement II with Industrial Bank Financial Leasing Co., Ltd. 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 (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, 10 November 2025 and 4 December 2025 for details);
- (e) 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);
- (f) 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);

- (g) 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. and Beijing General Municipal Engineering Design & Research Institute Co., Ltd.), 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); and
- (h) On 15 April 2026, the Company entered into the finance lease agreement with CCB Financial Leasing Corporation Limited, pursuant to which CCB Financial Leasing Corporation Limited agreed to purchase the leased assets from the Company for a transfer price not exceeding RMB63,500,000; and lease back the leased assets to the Company for a term of five years (please refer to the announcement of the Company dated 15 April 2026 disclosed on the websites of the Stock Exchange and the Company for details).

8. LITIGATION

In 2024, 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. As the Company was not satisfied with the judgement of the Kunming Municipal Intermediate People's Court, the Company appealed to the Yunnan Provincial High People's Court (the “**Yunnan Provincial High Court**”). In 2025, the Company received a civil judgment from the Yunnan Provincial High Court (the “**Yunnan Provincial High Court Civil Judgment**”), which ruled that the Company shall pay Guizhou Construction the construction sum of approximately RMB103.3 million and interest, case acceptance fees, etc. calculated in accordance with the Yunnan Provincial High Court Civil Judgment (for details, please refer to the Company's announcements dated 9 October 2024 and 4 November 2025 respectively).

As the Company failed to perform the payment obligations determined by the effective legal documents within the specified period in the construction project contract dispute case with Guizhou Construction Group Fourth Engineering Co., Ltd.* (貴州建工集團第四建築工程有限責任公司) (“**Guizhou Construction Fourth Engineering Company**”) (target of enforcement: RMB20,808,718), Guizhou Construction Fourth Engineering Company applied to the Chenggong District People's Court of Kunming City (“**Chenggong District People's Court**”) to list the Company as a party subject to enforcement and to take consumption restriction measures against Mr. Zeng Feng, the then legal representative, executive director, and chairman of the Company (who resigned as an executive director, the chairman and other positions on 8 May 2026). In January 2026, the Chenggong District People's Court seized the real properties owned by the Company located at Level 1 of Block 5, Levels 1-2 of Block 10, and Level 1 of Block 6, Zhongying Village, Guandu Town, Kunming City, and decided to conduct a judicial auction; in March 2026, the Chenggong District People's Court ruled to terminate execution procedures for the seizure of the Company's real estate and the decision of judicial auction (for details, please refer to the Company's announcements dated 2 December 2025, 27 January 2026 and 10 March 2026 respectively).

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 FOR INSPECTION

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

NOTICE OF 2025 ANNUAL 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 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 2025 annual general meeting (the “AGM”) of Kunming Dianchi Water Treatment Co., Ltd. (the “Company”) will be held at 2:00 p.m. on Friday, 26 June 2026 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 purposes:

ORDINARY RESOLUTIONS

1. To consider and approve the Report of the Board of Directors of the Company for 2025
2. To consider and approve the audited financial statements of the Company and the independent auditor's report for the year ended 31 December 2025
3. To consider and approve the profit distribution plan of the Company for 2025
4. To consider and approve the appointment of Mr. Ma Shuo as an executive Director
5. To consider and approve the appointment of Ms. Ding Heng as a non-executive Director
6. To consider and approve the re-appointment of Zhongshen Zhonghuan Certified Public Accountants (Special General Partnership) as the domestic auditor of the Company for 2026 and the appointment of ZSZH (HK) Fuson CPA Limited as the international auditor of the Company for 2026 and the determination of their remunerations
7. To consider and approve the extension of the entrusted loan of RMB200 million granted to Kunming Development under the Entrusted Loan Contract, the Original Entrusted Loan Extension Agreements, the Entrusted Loan Extension Agreement IV and the Supplemental Entrusted Loan Extension Agreement entered into by the Company with Kunming Development and Chenggong District Rural Credit Cooperative on 24 October 2022, 22 September 2023, 15 July 2024, 19 May 2025 and 12 May 2026, respectively, to 24 May 2027

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SPECIAL RESOLUTION

8. To consider and approve the General Mandate to issue Shares

By order of the Board
Kunming Dianchi Water Treatment Co., Ltd.
Mu Yong
Chairperson

Kunming, the PRC
5 June 2026

Notes:

1. According to the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Accordingly, each of the resolutions set out in the notice of the AGM will be voted by poll. Results of the poll voting will be published on the Company's website at www.kmdcwt.com and the HKExnews website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk after the AGM.
2. Any Shareholder entitled to attend and vote at the AGM 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 AGM (i.e. before 2:00 p.m. on 25 June 2026) 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 AGM 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 AGM, the H Share register of members of the Company will be closed from Saturday, 6 June 2026 to Friday, 26 June 2026 (both days inclusive). The holders of H Shares who wish to attend the AGM 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 Friday, 5 June 2026 for registration. Holders of H Shares whose names appear on the register of members of H Shares of the Company at the close of business on Friday, 5 June 2026 are entitled to attend the AGM. For the purpose of determining the list of holders of Domestic Shares who are entitled to attend the AGM, the Domestic Share register of members of the Company will be closed from Saturday, 6 June 2026 to Friday, 26 June 2026 (both days inclusive). The holders of Domestic Shares who wish to attend the AGM are required to complete the registration procedures for the transfer of Domestic Shares in accordance with the relevant requirements of China Securities Depository and Clearing Corporation Limited before the close of business on Friday, 5 June 2026. Holders of Domestic Shares whose names appear on the register of members of Domestic Shares of the Company at the close of business on Friday, 5 June 2026 are entitled to attend the AGM.

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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 AGM 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. The Company has the right to require any Shareholder or his/her proxy to produce proof of identity when attending the AGM.
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. Mu Yong and Ms. Lian Zhaoju, as executive Directors; Ms. Cheng Yijing and Ms. Gao Yuan, as non-executive Directors; and Mr. Zha Guiliang, Ms. Fu Jifang and Dr. Chan Ho Wah Terence, as independent non-executive Directors.