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.

DCWT 滇池水务
KUNMING DIANCHI WATER TREATMENT CO.,LTD

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 People's Republic of China with limited liability)
(Stock Code: 3768)

(1) MAJOR TRANSACTION – EXTENSION OF THE ENTRUSTED LOAN GRANTED TO KUNMING URBAN CONSTRUCTION AND INVESTMENT DEVELOPMENT CO., LTD.; AND (2) 2026 SECOND EXTRAORDINARY GENERAL MEETING

The EGM will be held at 2:00 p.m. on Friday, 31 July 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 EGM is set out on pages 35 to 36 of this circular. Proxy form for use at the EGM is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.kmdcwt.com).

If you intend to appoint a proxy to attend the EGM, you are required to complete and return the proxy form in accordance with the instructions printed thereon. For holders of H Shares, the proxy form should be returned to Tricor Investor Services Limited and for holders of Domestic Shares, the proxy form should be returned to the Company's registered office and headquarters in the PRC by personal delivery or by post in any event not less than 24 hours before the time fixed for holding the EGM (i.e. before 2:00 p.m. on Thursday, 30 July 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 EGM or at any other adjourned meeting.

15 July 2026

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

"Articles of Association"	the articles of association of the Company, as amended from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board" or "Board of Directors"	the board of Directors of the Company
"Company"	Kunming Dianchi Water Treatment Co., Ltd. (昆明滇池水務股份有限公司), a joint stock company incorporated in the PRC with limited liability on 23 December 2010, and its H Shares are listed on the Stock Exchange (stock code: 3768)
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"Domestic Shares"	ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB
"EGM"	the 2026 second extraordinary general meeting of the Company to be held at 2:00 p.m. on Friday, 31 July 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
"Entrusted Loan Contract"	the Entrusted Loan Contract entered into by the Company with Kunming Urban Investment and Panlong District Rural Credit Cooperative on 9 June 2022
"Entrusted Loan Extension Agreement I"	the Entrusted Loan Extension Agreement entered into by the Company with Kunming Urban Investment and Panlong District Rural Credit Cooperative on 9 June 2023
"Entrusted Loan Extension Agreement II"	the Entrusted Loan Extension Agreement entered into by the Company with Kunming Urban Investment and Panlong District Rural Credit Cooperative on 29 April 2024
"Entrusted Loan Extension Agreement III"	the Entrusted Loan Extension Agreement entered into by the Company with Kunming Urban Investment and Panlong District Rural Credit Cooperative on 8 June 2026

"Entrusted Loan Extension Transaction I"	the transaction contemplated under the Entrusted Loan Extension Agreement I, namely the extension of maturity date of RMB180 million of the principal amount of the entrusted loan under the Entrusted Loan Contract from 8 June 2023 to 8 June 2024
"Entrusted Loan Extension Transaction II"	the transaction contemplated under the Entrusted Loan Extension Agreement II, namely the extension of maturity date of RMB180 million of the principal amount of the entrusted loan under the Entrusted Loan Contract and the Entrusted Loan Extension Agreement I from 8 June 2024 to 7 June 2026
"Entrusted Loan Extension Transaction III"	the transaction contemplated under the Entrusted Loan Extension Agreement III, namely the extension of maturity date of RMB180 million of the principal amount of the entrusted loan under the Entrusted Loan Contract and the Original Entrusted Loan Extension Agreements from 7 June 2026 to 7 June 2029
"Entrusted Loan Transaction"	the transaction contemplated under the Entrusted Loan Contract, namely the provision of a RMB310 million loan by Panlong District Rural Credit Cooperative to Kunming Urban Investment as entrusted by the Company
"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 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)
"Kunming Urban Investment"	Kunming Urban Construction and Investment Development Co., Ltd.* (昆明市城建投資開發有限責任公司), a company with limited liability incorporated in the PRC, which is directly owned as to 84.42% by Kunming SASAC and is not a connected person of the Company as defined under the Listing Rules as at the Latest Practicable Date
"Latest Practicable Date"	9 July 2026, being the latest practicable date prior to the publication of this circular for ascertaining certain information contained herein

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Original Entrusted Loan Extension Agreements"	collectively, the Entrusted Loan Extension Agreement I and the Entrusted Loan Extension Agreement II
"Original Entrusted Loan Extension Transactions"	collectively, the Entrusted Loan Extension Transaction I and the Entrusted Loan Extension Transaction II
"Panlong District Rural Credit Cooperative"	Kunming Panlong District Rural Credit Cooperative* (昆明市盤龍區農村信用合作聯社), a third party independent of the Company and its connected person(s)
"PRC" or "China"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, comprising the Domestic Shares and H Shares
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the same meaning ascribed to it under the Listing Rules
"%"	per cent.

* *For identification purpose only*

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 People's Republic of China with limited liability)

(Stock Code: 3768)

Board of Directors:
Executive Directors:
Mr. Mu Yong *(Chairperson)*
Mr. Ma Shuo
Ms. Lian Zhaoju

Non-executive Directors:
Ms. Ding Heng
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

15 July 2026

To the Shareholders

Dear Sirs and Madams,

(1) MAJOR TRANSACTION – EXTENSION OF THE ENTRUSTED LOAN GRANTED TO KUNMING URBAN CONSTRUCTION AND INVESTMENT DEVELOPMENT CO., LTD.; AND (2) 2026 SECOND EXTRAORDINARY GENERAL MEETING

I. INTRODUCTION

On behalf of the Board, I invite you to attend the EGM to be held at 2:00 p.m. on Friday, 31 July 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 resolution at the EGM.

II. BUSINESSES TO BE CONSIDERED AT THE EGM

The businesses to be considered at the EGM are described in more details in the notice of the EGM as set out on pages 35 to 36 of this circular.

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

To consider and approve the extension of the entrusted loan of RMB180 million granted to Kunming Urban Investment under the Entrusted Loan Contract, the Original Entrusted Loan Extension Agreements and the Entrusted Loan Extension Agreement III entered into by the Company with Kunming Urban Investment and Panlong District Rural Credit Cooperative on 9 June 2022, 9 June 2023, 29 April 2024 and 8 June 2026 respectively, to 7 June 2029.

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

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

References are made to the Company's announcements dated 9 June 2022, 16 June 2022, 9 June 2023, 12 June 2023, 29 April 2024 and 8 June 2026 (the "**Announcements**") in relation to (i) the entering into of the Entrusted Loan Contract by the Company (as trustor) with Kunming Urban Investment (as borrower) and Panlong District Rural Credit Cooperative (as trustee) in respect of the Entrusted Loan Transaction on 9 June 2022. Pursuant to the Entrusted Loan Contract, the Company entrusted Panlong District Rural Credit Cooperative to provide a RMB310 million entrusted loan to Kunming Urban Investment for a term from 9 June 2022 to 8 June 2023, and Kunming Dianchi Investment provided a full joint and several liability guarantee for the Entrusted Loan Transaction under the Entrusted Loan Contract; (ii) the entering into of the Entrusted Loan Extension Agreement I by the Company with Kunming Urban Investment and Panlong District Rural Credit Cooperative in respect of the Entrusted Loan Contract on 9 June 2023 to extend the term of RMB180 million of the principal amount of the entrusted loan under the Entrusted Loan Contract to 8 June 2024, and Kunming Dianchi Investment provided a full joint and several liability guarantee for the Entrusted Loan Extension Transaction I under the Entrusted Loan Extension Agreement I; and (iii) the entering into of the Entrusted Loan Extension Agreement II by the Company with Kunming Urban Investment and Panlong District Rural Credit Cooperative in respect of the Entrusted Loan Contract and the Entrusted Loan Extension Agreement I on 29 April 2024 to extend the term of RMB180 million of the principal amount of the entrusted loan under the Entrusted Loan Contract/ Entrusted Loan Extension Agreement I to 7 June 2026, and Kunming Dianchi Investment provided a full joint and several liability guarantee for the Entrusted Loan Extension Transaction II under the Entrusted Loan Extension Agreement II. As of the Latest Practicable Date, Kunming Urban Investment has paid the corresponding interest pursuant to relevant provisions of the Entrusted Loan Contract and the Original Entrusted Loan Extension Agreements.

After arm's length negotiation, the Company entered into the Entrusted Loan Extension Agreement III in respect of the Entrusted Loan Contract and the Original Entrusted Loan Extension Agreements with Kunming Urban Investment and Panlong District Rural Credit Cooperative on 8 June 2026 (after trading hours) to extend the term of RMB180 million of the principal amount of the entrusted loan under the Entrusted Loan Contract/Original Entrusted Loan Extension Agreements to 7 June 2029. Save for the amendments specified in the Entrusted Loan Extension Agreement III, 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 and Entrusted Loan Extension Agreement III

Save for the terms and conditions specified in the Entrusted Loan Extension Agreement III, all other terms and conditions of the Entrusted Loan Contract and the Original Entrusted Loan Extension Agreements shall be applicable to the Entrusted Loan Extension Transaction III.

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

	Entrusted Loan Contract	Original Entrusted Loan Extension Agreements	Entrusted Loan Extension Agreement III
Date:	9 June 2022	(i) Entrusted Loan Extension Agreement I: 9 June 2023 (ii) Entrusted Loan Extension Agreement II: 29 April 2024	8 June 2026
Parties:	(i) the Company (as trustor) (ii) Kunming Urban Investment (as borrower) (iii) Panlong District Rural Credit Cooperative (as trustee)	(i) the Company (as trustor) (ii) Kunming Urban Investment (as borrower) (iii) Panlong District Rural Credit Cooperative (as trustee)	(i) the Company (as trustor) (ii) Kunming Urban Investment (as borrower) (iii) Panlong District Rural Credit Cooperative (as trustee)

	Entrusted Loan Contract	Original Entrusted Loan Extension Agreements	Entrusted Loan Extension Agreement III
Principal amount of the entrusted loan/ extension amount:	RMB310 million	Extension amount of RMB180 million. The extension amount shall be repaid in one lump sum upon maturity.	Extension amount of RMB180 million. The extension amount shall be repaid in one lump sum upon maturity.
Term/term of extension:	12 months, i.e. from 9 June 2022 to 8 June 2023, and if there is an early maturity of the entrusted loan declared in accordance with the Entrusted Loan Contract, the loan shall be deemed to become due at an earlier date accordingly and the interest shall be calculated based on the actual number of days and amount used.	(i) Entrusted Loan Extension Agreement I: From 8 June 2023 to 8 June 2024 (ii) Entrusted Loan Extension Agreement II: From 8 June 2024 to 7 June 2026	From 7 June 2026 to 7 June 2029

	Entrusted Loan Contract	Original Entrusted Loan Extension Agreements	Entrusted Loan Extension Agreement III
Interest rate:	The interest rate is fixed at 8.5% per annum calculated by adding 480 basis points to the prime rate for a one-year loan for the most recent period prior to the date of the Entrusted Loan Contract. Interest shall be paid quarterly and the interest settlement date is the 20th day of the last month of each quarter. Compound interest shall be charged on any interest that cannot be paid on time in accordance with the terms of the Entrusted Loan Contract. Interest on each individual entrusted loan is calculated from the actual drawdown date and is based on the actual number of days used.	8.5% per annum. Interest shall be paid pursuant to the provisions of the Entrusted Loan Contract, i.e. interest shall be paid quarterly and the interest settlement date is the 20th day of the last month of each quarter. Compound interest shall be charged on any interest that cannot be paid on time in accordance with the terms of the Entrusted Loan Contract. Interest on each individual entrusted loan is calculated from the actual drawdown date (the date of commencement of the respective term of extension in respect of the Entrusted Loan Extension Transaction I and the Entrusted Loan Extension Transaction II) and is based on the actual number of days used.	The interest rate of the Entrusted Loan Extension Transaction III under the Entrusted Loan Extension Agreement III is 6.0% per annum, effective from the date of signing of the Entrusted Loan Extension Agreement III. Interest shall be paid pursuant to the provisions of the Entrusted Loan Contract, i.e. interest shall be paid quarterly and the interest settlement date is the 20th day of the last month of each quarter. Compound interest shall be charged on any interest that cannot be paid on time in accordance with the terms of the Entrusted Loan Contract. Interest on each individual entrusted loan is calculated from the actual drawdown date (the date of commencement of the term of extension in respect of the Entrusted Loan Extension Transaction III) and is based on the actual number of days used.

	Entrusted Loan Contract	Original Entrusted Loan Extension Agreements	Entrusted Loan Extension Agreement III
Release of loan:	The principal of entrusted loan under the Entrusted Loan Contract will be released to Kunming Urban Investment in one lump sum. The conditions precedent for the release of the principal of entrusted loan include the relevant guarantee clause or guarantee contract under the Entrusted Loan Contract having been established and taking effect in accordance with relevant laws; the guarantor having provided the guarantee materials and completed relevant procedures in accordance with relevant requirements; Kunming Urban Investment having opened an account with Panlong District Rural Credit Cooperative and voluntarily accepting credit supervision and payment and settlement supervision; Kunming Urban Investment having submitted an application for drawdown in advance in accordance with the provisions of the Entrusted Loan Contract, etc.	Not applicable	Not applicable
Repayment of loan:	Interest is payable quarterly in arrears and principal is repaid irregularly. All principal, interest, etc. are required to be settled by the date of expiry of the term of entrusted loan.	Principal shall be repaid in one lump sum upon maturity of the term of 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.

	Entrusted Loan Contract	Original Entrusted Loan Extension Agreements	Entrusted Loan Extension Agreement III
Early repayment and extension of loan:	With the consent of the Company, Kunming Urban Investment 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. If Kunming Urban Investment needs to extend the entrusted loan, Kunming Urban Investment shall submit a written application for extension to the Company at least 30 days prior to the maturity date of the Entrusted Loan Contract or an individual loan, together with a written opinion from Kunming Dianchi Investment agreeing to continue to provide guarantee, which shall be reviewed and approved by the Company, and the extension agreement shall be signed in accordance with relevant terms before the loan can be extended accordingly. If the Company does not agree with the extension, Kunming Urban Investment shall repay the principal and interest of the entrusted loan in accordance with the terms of the Entrusted Loan Contract.	Relevant provisions of the Entrusted Loan Contract remain applicable.	Relevant provisions of the Entrusted Loan Contract remain applicable.

	Entrusted Loan Contract	Original Entrusted Loan Extension Agreements	Entrusted Loan Extension Agreement III
Guarantee:	Kunming Dianchi Investment provided a full joint and several liability guarantee for the Entrusted Loan Transaction under the Entrusted Loan Contract.	Kunming Dianchi Investment provided a full joint and several liability guarantee for the Original Entrusted Loan Extension Transactions under the Original Entrusted Loan Extension Agreements.	(i) Kunming Dianchi Investment provided a full joint and several liability guarantee for the Entrusted Loan Extension Transaction III under the Entrusted Loan Extension Agreement III; (ii) Kunming Urban Investment provided a pledge over its accounts receivable of RMB180 million due from the Kunming Municipal Land and Mineral Reserve Center as security.

	Entrusted Loan Contract	Original Entrusted Loan Extension Agreements	Entrusted Loan Extension Agreement III
Service charge:	The service charge for the entrusted loan under the Entrusted Loan Contract shall be calculated at the rate of 0.1% per annum, i.e. the service charge shall be RMB310,000, which shall be paid by the Company to Panlong District Rural Credit Cooperative in one lump sum upon release of the first batch of loan.	(i) Entrusted Loan Extension Agreement I: Same as the standards and payment methods as agreed in the Entrusted Loan Contract, i.e. the service charge for the Entrusted Loan Extension Transaction I under the Entrusted Loan Extension Agreement I shall be calculated at the rate of 0.1% per annum, i.e. the service charge shall be RMB180,000, which shall be paid by the Company to Panlong District Rural Credit Cooperative in one lump sum. (ii) Entrusted Loan Extension Agreement II: Same as the standards and payment methods as agreed in the Entrusted Loan Contract, i.e. the service charge for the Entrusted Loan Extension Transaction II under the Entrusted Loan Extension Agreement II shall be calculated at the rate of 0.1% per annum, i.e. the service charge shall be RMB360,000, which shall be paid by the Company to Panlong District Rural Credit Cooperative in one lump sum. Once paid, the service charge is non-refundable by Panlong District Rural Credit Cooperative.	Same as the standards and payment methods as agreed in the Entrusted Loan Contract, i.e. the service charge for the Entrusted Loan Extension Transaction III under the Entrusted Loan Extension Agreement III shall be calculated at the rate of 0.1% per annum, i.e. the service charge shall be RMB540,000, which shall be paid by the Company to Panlong District Rural Credit Cooperative in one lump sum. Once paid, the service charge is non-refundable by Panlong District Rural Credit Cooperative.

	Entrusted Loan Contract	Original Entrusted Loan Extension Agreements	Entrusted Loan Extension Agreement III
Others:		Entrusted Loan Extension Agreement II: The Entrusted Loan Extension Transaction II shall be subject to consideration and approval at the EGM of the Company, and the Company will convene the EGM as soon as possible and will timely (no later than 30 June 2024) notify Panlong District Rural Credit Cooperative and Kunming Urban Investment of the resolution of the EGM. If the Company fails to provide the resolution of general meeting for approval of extension on or before 30 June 2024, the Entrusted Loan Extension Agreement II shall cease to be effective, and Kunming Urban Investment is required to repay all principal of the outstanding entrusted loan (i.e. RMB180 million) and settle all interest and punitive interest payable up to the date of repayment of the principal of the entrusted loan calculated based on the terms of the Entrusted Loan Contract and the Entrusted Loan Extension Agreement I within 3 business days from the date on which the Entrusted Loan Extension Agreement II ceases to be effective, and cooperate in completing relevant procedures for transfer of funds. If Kunming Urban Investment fails to fulfill the aforesaid repayment obligations as scheduled, the trustor shall have the right to deduct the relevant amount pursuant to the Entrusted Loan Contract and the Entrusted Loan Extension Agreement I.	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 31 August 2026) notify Panlong District Rural Credit Cooperative and Kunming Urban Investment of the resolution of the Shareholders' general meeting. If the Company fails to provide the resolution of general meeting for approval of the Entrusted Loan Extension Transaction III on or before 31 August 2026, the Entrusted Loan Extension Agreement III shall cease to be effective, and Kunming Urban Investment is required to repay all principal of the outstanding entrusted loan (i.e. RMB180 million) and settle all interest and punitive interest payable up to the date of repayment of the principal of the entrusted loan calculated based on the terms of the Entrusted Loan Contract and the Original Entrusted Loan Extension Agreements within 3 business days from the date on which the Entrusted Loan Extension Agreement III ceases to be effective (i.e. 31 August 2026), and cooperate in completing relevant procedures for transfer of funds. If Kunming Urban Investment fails to fulfill the aforesaid repayment obligations as scheduled, the Company shall have the right to deduct the relevant amount from any account opened by Kunming Urban Investment.

Entrusted Loan Contract	Original Entrusted Loan Extension Agreements	Entrusted Loan Extension Agreement III
		If the Entrusted Loan Extension Transaction III is not approved by the Shareholders at the aforesaid Shareholders' general meeting, Kunming Urban Investment shall be required to repay the principal of the entrusted loan (i.e. RMB180 million) and settle all interest, penalty interest and other amounts payable calculated in accordance with the provisions of the Entrusted Loan Contract and the Original Entrusted Loan Extension Agreements 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 Urban Investment 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 Urban Investment 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 Urban Investment.

The Company has already received the guarantee commitment letter (the "**Guarantee Commitment Letter**") issued by Kunming Dianchi Investment. Pursuant to the Guarantee Commitment Letter, Kunming Dianchi Investment has undertaken to provide a full joint and several liability guarantee in respect of the principal amount of RMB180 million under the entrusted loan of Kunming Urban Investment under the Entrusted Loan Extension Agreement III together with the corresponding interest and other amounts. The guarantee period is three years from the date of expiry of the debt period under the Entrusted Loan Extension Transaction III. According to the provisions of the relevant laws and regulations of the PRC, the guarantee obligation of Kunming Dianchi Investment has been established and has produced legal effect, and Kunming Dianchi Investment shall not change or revoke it without the consent of the Company. As of 31 December 2025, the audited standalone financial statements of Kunming Dianchi Investment recorded total assets of approximately RMB65,262 million, with an asset-liability ratio of approximately 59.6% and positive operating cash flow. Prior to entering into the Entrusted Loan Extension Agreement III, the Company has assessed the debt repayment ability and operating conditions of Kunming Urban Investment and is of the view that Kunming Urban Investment has the ability to repay its debts and is capable of repaying the entrusted loan, and the guarantee provided by Kunming Dianchi Investment further safeguards the rights and interests of the Company.

In addition, Kunming Urban Investment has also provided its accounts receivable of RMB180 million due from the Kunming Municipal Land and Mineral Reserve Center as pledge security for the Entrusted Loan Extension Transaction III. The Kunming Municipal Land and Mineral Reserve Center is a Class I public institution under the administration of the Kunming Municipal Natural Resources and Planning Bureau. According to the relevant information provided by Kunming Urban Investment, its accounts receivable claim of RMB180 million used as pledge is a legitimate and undisputed claim arising from the provision of land development and land development project services for certain areas of Kunming to the Kunming Municipal Land and Mineral Reserve Center. There is no risk of extinction of the claim, and the relevant claim has been included in the audited financial statements of Kunming Urban Investment. According to the representations and warranties of Kunming Urban Investment and the information available through public search, Kunming Urban Investment is the true, lawful and sole holder of the accounts receivable of RMB180 million used as pledge. Apart from this pledge, no security interest has been created over such accounts receivable, and no agreement or arrangement has been entered into with any third party that may prejudice this pledge, nor are there any judicial freezing or other governmental restrictions.

Basis of interest rate

The fixed annual interest rate of 6.0% under the Entrusted Loan Extension Agreement III was negotiated on an arm's length basis between the Company and Kunming Urban Investment based on (1) the fact that the interest rate under the Entrusted Loan Extension Agreement III 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 May 2026; (2) prevailing market interest rate and practices; (3) the Company's returns within a reasonable range; and (4) the Company's assessment on the business conditions and creditworthiness of Kunming Urban Investment.

2. Reasons for and Benefits of the Entrusted Loan Extension Transaction III

As of the Latest Practicable Date, Kunming Urban Investment has settled all the interest payable pursuant to the relevant provisions of the Entrusted Loan Contract and the Original Entrusted Loan Extension Agreements. By entering into the Entrusted Loan Extension Agreement III, it will increase the interest income of the Company and at the same time facilitate the cooperation between the Group and Kunming Urban Investment in innovative financing models. The interest rate of the entrusted loan under the Entrusted Loan Extension Agreement III is 6.0% per annum, and the entering into of the Entrusted Loan Extension Agreement III will generate an interest income of approximately RMB32.4 million for the Company (representing annual interest income of approximately RMB10.8 million). According to the latest audited financial statements of the Company, the weighted average effective interest rate of the Company for the year ended 31 December 2025 was approximately 4.24%, while the interest rate of the Entrusted Loan Extension Transaction III under the Entrusted Loan Extension Agreement III is 1.76 percentage points higher than the weighted average effective interest rate of the Company for the year ended 31 December 2025.

Prior to entering into the Entrusted Loan Extension Agreement III, the Company had obtained the latest audited financial statements of Kunming Urban Investment. After analyzing the financial statements and understanding the operation and business development of Kunming Urban Investment, the Board is of the view that the credit risks of Kunming Urban Investment is controllable. As at 31 December 2025, on a consolidated financial statement basis, Kunming Urban Investment had total assets of approximately RMB66,676 million, annual revenue of approximately RMB2,821 million, a debt-to-asset ratio of 55.2% (calculated as the total liabilities divided by the total assets), a current ratio of 2.44 (calculated as the current assets divided by the current liabilities) and a quick ratio of 1.02 (calculated as the current assets minus the inventory, and then divided by the current liabilities), and Kunming Urban Investment has a large asset base and sources of income, and has comprehensive repayment capacity.

Ms. Fu Jifang abstained from voting and Ms. Cheng Yijing voted against the resolution at the Board meeting (the "**Dissenting Directors**"). Ms. Fu Jifang abstained from voting mainly because she considered the Entrusted Loan Extension Transaction III was not within the scope of principal business of the Company; and Ms. Cheng Yijing voted against the resolution mainly because she considered the Entrusted Loan Extension Transaction III was not within the scope of principal business of the Company, and recommended that the funds be recovered for use in the development of the Company's principal business, while also suggesting that the extension period be shortened.

All other Directors of the Board had given due and careful consideration to the Entrusted Loan Extension Transaction III and the opinions of the Dissenting Directors. All Directors other than the Dissenting Directors were of the unanimous view that although the Entrusted Loan Extension Transaction III is not the principal business of the Company, the Entrusted Loan Extension Transaction III can generate revenue for the Company and facilitate the cooperation with Kunming Urban Investment in innovative financing models.

As at the Latest Practicable Date, the aggregate principal amount of entrusted loans granted by the Company to external parties is RMB447 million (namely, RMB200 million granted to Kunming Development Investment Group Co., Ltd., RMB67 million granted to Kunming Anju Group Co., Ltd., and RMB180 million granted to Kunming Urban Investment). All such entrusted loans granted to external parties are subject to early repayment clause, and if necessary, the Company may recall the relevant amounts ahead of schedule in accordance with the terms of the relevant contracts. Based on the reasons above, the Company considers that such entrusted loans will not have any impact on its normal operations. The Company's principal business is sewage treatment and reclaimed water supply, and tap water supply. Its revenue and expenditure are generally stable. Based on the Company's understanding of customer budget situations, the Company expects that cash received from operations this year will increase compared with the previous year. At the same time, the Company expects no significant increase in capital expenditure in the short term. In conclusion, the Company is of the view that its working capital can match the funding requirements for various operating plans and planned capital needs.

According to the Entrusted Loan Contract, if Kunming Urban Investment is in default (such as failure to repay principal and interest in full as agreed, providing false documents) or in circumstances that may endanger the claim (such as suspension for rectification, changes in equity structure, production and operation, material adverse changes in external investment, etc.), the Company has the right to declare the entrusted loan immediately due and payable, immediately recover the outstanding amounts, and charge penalty interest in accordance with the contract. At the same time, the Entrusted Loan Contract provides that the Company has the right to unilaterally decide to declare the entrusted loan due in advance and recover the loan based on the recovery of funds by Kunming Urban Investment. The relevant provisions of the Entrusted Loan Contract also apply to the Entrusted Loan Extension Transaction III. Based on the above provisions, the Company has the right to early recovery of the entrusted loan. Meanwhile, the Company may, based on friendly consultation, communicate with Kunming Urban Investment when necessary to early recover the relevant amounts under the entrusted loan. Therefore, the Entrusted Loan Extension Transaction III is fair and reasonable.

Based on the reasons above, other than Ms. Fu Jifang and Ms. Cheng Yijing, all other Directors were of the view that the Entrusted Loan Extension Transaction III is conducted on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

3. Financial Impact

The Entrusted Loan Extension Transaction III 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 III is 36 months and is expected to generate revenue of approximately RMB32.4 million.

4. Details of the Parties to the Entrusted Loan Contract, the Original Entrusted Loan Extension Agreements and the Entrusted Loan Extension Agreement III

The Company

The Company is a leading municipal wastewater treatment and reclaimed water supply services provider in Yunnan Province, the PRC, an integrated water-related services (including running water supply service) provider and a core enterprise implementing the PRC's strategic goal to treat pollutants at Dianchi Lake.

Kunming Urban Investment

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

Panlong District Rural Credit Cooperative

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

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiry, as at the Latest Practicable Date, Kunming Urban Investment is not a connected person of the Company as defined under the Listing Rules, and Panlong District Rural Credit Cooperative 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 III and the Entrusted Loan Extension Transaction III thereunder are more than 25% but less than 75%, the entering into of the Entrusted Loan Extension Agreement III and the Entrusted Loan Extension Transaction III 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 III shall be subject to the consideration and approval by the Shareholders. If the Entrusted Loan Extension Transaction III fails to obtain the aforesaid approval from the Shareholders, Kunming Urban Investment shall repay the principal amount of the entrusted loan (i.e. RMB180 million) and settle all the interest payable up to the date of repayment of such principal amount of the entrusted loan in accordance with the relevant provisions of the Entrusted Loan Contract and the Original Entrusted Loan Extension Agreements.

IV. THE EGM

The proxy form of the EGM is enclosed herewith.

If you intend to appoint a proxy to attend the EGM, you are required to complete and return the proxy form in accordance with the instructions printed thereon. For holders of H Shares, the proxy form should be returned to Tricor Investor Services Limited and for holders of Domestic Shares, the proxy form should be returned to the Company's registered office and headquarters in the PRC by personal delivery or by post in any event not less than 24 hours before the time fixed for holding the EGM (i.e. before 2:00 p.m. on Thursday, 30 July 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 EGM or at any other adjourned meeting should you so wish.

V. VOTING BY POLL

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

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

VI. RECOMMENDATIONS

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

Yours faithfully,
Mu Yong
Chairperson

* *For identification purposes only*

I. FINANCIAL INFORMATION OF THE GROUP

Details of the audited consolidated financial information of the Group for each of the three years ended 31 December 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.

II. INDEBTEDNESS OF THE GROUP

As at the close of business on 31 May 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 RMB30.8 million and unsecured non-current interest-bearing borrowings of approximately RMB169.5 million; (ii) secured current interest-bearing borrowings of approximately RMB3,207.2 million, secured non-current interest-bearing borrowings of approximately RMB1,708.7 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 RMB614.4 million; (iii) payables on acquisition of property, plant and equipment (including construction in progress) of approximately RMB218.6 million; and (iv) capital expenditure contracted for property, plant and equipment of approximately RMB816.1 million and commitment for concession projects and construction projects contracted of 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 31 May 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.

III. WORKING CAPITAL OF THE GROUP

The Directors believe that, after taking into account the existing cash and bank balances, other internal resources and available existing unutilised credit facilities, the Group has sufficient working capital for its present 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 auditor regarding the statement on the adequacy of the Group's working capital.

IV. 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.

V. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2025, being the date of preparation of the latest published audited consolidated financial statements of the Group.

I. RESPONSIBILITY STATEMENT

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

II. DISCLOSURE OF INTERESTS

1. Interests and Short Positions of Directors 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.

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

As at the Latest Practicable Date, so far as is known to any Director 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%

Name of Shareholder	Capacity/ nature of interest	Class of Shares	Number of Shares *(share)*	Approximate percentage of the total issued share capital of the Company *(%)*	Approximate percentage of the relevant class of Shares of the Company *(%)*
Kunming Anju Group Co., Ltd.* (昆明市安居集團有限公司) (formerly known as Kunming Public Rental Housing Development and Construction Management Co., Ltd. (昆明市公共租賃住房開發建設管理有限公司))	Security interest	Domestic Shares	33,013,345 (long positions) *(Note 3)*	3.21%	4.79%
Yunnan Yuntou Finance Leasing Co., Ltd. (雲南雲投融資租賃有限公司)	Beneficial owner	Domestic Shares	213,377,684 (long positions) *(Note 4)*	20.73%	30.97%
Kunming Industrial Development and Investment Co., Ltd. (昆明產業開發投資有限責任公司)	Beneficial owner	H Shares	59,000,000 (long positions) *(Notes 5 and 7)*	5.73%	17.35%
Kunming Industrial Development and Construction Company Limited (昆明市產業開發建設有限責任公司)	Interest of controlled corporation	H Shares	59,000,000 (long positions) *(Notes 5 and 7)*	5.73%	17.35%
Kunming Gangtong Logistics Group Co. Ltd.* (昆明港通物流集團有限公司) (formerly known as Kunming State-owned Assets Management and Operations Co., Ltd. (昆明市國有資產管理營運有限責任公司))	Beneficial owner	H Shares	39,790,000 (long positions)	3.87%	11.70%
Yunnan Provincial Investment Holdings Group Co., Ltd. (雲南省投資控股集團有限公司)	Beneficial owner	H Shares	64,770,000 (long positions)	6.29%	19.05%
Modern Orient Limited	Interest of controlled corporation	H Shares	47,754,000 (long positions) *(Notes 6 and 7)*	4.64%	14.04%

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

Notes:

1. 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.

2. 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).

On 16 June 2026, 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 concluded on the JD.com Judicial Auction Online Platform. According to the information shown in the "Confirmation of Transaction" on the auction platform, the result of the online auction bidding is that the user named Kunming Water Group Co., Ltd. won the bid with the highest offer in the public bidding of the judicial auction. The user who successfully wins the bid in the online auction must, in accordance with the relevant requirements, pay the balance of the online auction transaction price for the subject matter on time and complete the relevant procedures. The subject matter is ultimately subject to the auction confirmation ruling issued by the People's Court of Sichuan Pilot Free Trade Zone. As at the Latest Practicable Date, the Company has not yet received the auction confirmation ruling or other relevant information submitted by the relevant parties (please refer to the Company's announcements dated 26 May 2026 and 16 June 2026, respectively, 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 Shares belong to the same batch of Shares.

6. Such 47,754,000 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 interests or short positions in the Shares or underlying shares of the Company which are required to be recorded in the register under Section 336 of the SFO.

III. SERVICE CONTRACTS OF DIRECTORS

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).

IV. COMPETING INTERESTS OF DIRECTORS

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

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

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 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.

VI. DIRECTORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the details of Directors' positions held in 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) are set out as follows:

Ms. Ding Heng, a non-executive Director, serves as a director and chief financial officer of Kunming Dianchi Investment.

Ms. Cheng Yijing, a non-executive Director, serves as an expatriate full-time director of Yunnan Investment Holding Group Co., Ltd.

VII. MATERIAL CONTRACTS

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

(a) On 9 June 2022, the Company entered into the Entrusted Loan Contract with Kunming Urban Investment and Panlong District Rural Credit Cooperative, pursuant to which the Company entrusted Panlong District Rural Credit Cooperative to provide entrusted loan of RMB310 million to Kunming Urban Investment with a term of 12 months and an interest rate of 8.5% per annum. On 9 June 2023, the parties entered into the Entrusted Loan Extension Agreement I for the entrusted loan contract dated 9 June 2022 to extend the term of RMB180 million of the principal amount thereunder to 8 June 2024. On 29 April 2024, the parties entered into the Entrusted Loan Extension Agreement II for the Entrusted Loan Contract on 9 June 2022 and the Entrusted Loan Extension Agreement I on 9 June 2023 to extend the term of the entrusted loan with principal amount of RMB180 million to 7 June 2026. On 8 June 2026, the parties entered into the Entrusted Loan Extension Agreement III for the Entrusted Loan Contract and the Original Entrusted Loan Extension Agreements to extend the term of the entrusted loan with principal amount of RMB180 million to 7 June 2029, and the Entrusted Loan Extension Transaction III 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 9 June 2022, 16 June 2022, 9 June 2023, 12 June 2023, 29 April 2024, 16 May 2024 and 8 June 2026 for details);

(b) On 24 October 2022, the Company entered into the entrusted loan contract with Kunming Development and Investment Group Co., Ltd.* (昆明發展投資集團有限公司) ("**Kunming Development**") and Kunming Chenggong District Rural Credit Cooperative* (昆明市呈貢區農村信用合作聯社) ("**Chenggong District Rural Credit Cooperative**"), pursuant to which the Company entrusted Chenggong District Rural Credit Cooperative to provide a RMB200 million entrusted loan to Kunming Development for a term from 24 October 2022 to 24 September 2023 with an interest rate of 8.5% per annum. On 22 September 2023, the Company entered into the entrusted loan extension agreement I and the supplemental entrusted loan extension agreement I with Kunming Development and Chenggong District Rural Credit Cooperative to extend the term of the entrusted loan with principal amount of RMB200 million under the entrusted loan contract to 24 August 2024. On 15 July 2024, the Company entered into the entrusted loan extension agreement II with Kunming Development and Chenggong District Rural Credit Cooperative to extend the term of the entrusted loan with principal amount of RMB200 million under the entrusted loan contract/the entrusted loan extension agreement I and the supplemental entrusted loan extension agreement I to 24 July 2025. On 19 May 2025, the Company entered into the entrusted loan extension agreement III with Kunming Development and Chenggong District Rural Credit Cooperative to extend the term of the entrusted loan with principal amount of RMB200 million under the entrusted loan contract/the 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 entrusted loan extension agreement I/the supplemental entrusted loan extension agreement I/the entrusted loan extension agreement II/the entrusted loan extension agreement III to 24 May 2027 (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, 12 May 2026 and 4 June 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 Company entered into the entrusted loan extension agreement I with Anju Group and Jinma Branch of Guandu Rural Cooperative Bank to extend the term of the principal amount of RMB72 million under the entrusted loan contract to 16 June 2025. On 13 June 2025, the Company entered into the entrusted loan extension agreement II with Anju Group and Jinma Branch of Guandu Rural Cooperative Bank to extend the term of the principal amount of RMB72 million under the entrusted loan contract/the entrusted loan extension agreement I to 16 June 2026. On 12 June 2026, the Company entered into the entrusted loan extension agreement III with Anju Group and Jinma Branch of Guandu Rural Cooperative Bank, pursuant to which the loan term for the principal of RMB5 million under the entrusted loan contract/the entrusted loan extension agreement I/the entrusted loan extension agreement II shall be extended to on or before 30 June 2026, the loan term for the principal of RMB3 million shall be extended to on or before 31 December 2026, and the loan term for the remaining principal of RMB64 million shall be extended to 16 June 2027 (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, 13 June 2025 and 12 June 2026 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 circulars 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).

VIII. 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.

IX. GENERAL

(a) The Company's registered office and headquarters in the PRC is located at Wastewater Treatment Plant No. 7, Kunming Dianchi Tourist Resort, Yunnan Province, the PRC and its principal place of business in Hong Kong is located at Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

(b) The Company's H Share Registrar is Tricor Investor Services Limited which is located at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

(c) The company secretary of the Company is Ms. Tsui Sum Yi, ACG, HKACG.

X. DOCUMENTS FOR INSPECTION

Copies of the Entrusted Loan Contract, the Entrusted Loan Extension Agreement I, the Entrusted Loan Extension Agreement II and the Entrusted Loan Extension Agreement III 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.

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 People's Republic of China with limited liability)

(Stock Code: 3768)

NOTICE OF 2026 SECOND EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 2026 second extraordinary general meeting (the "**EGM**") of Kunming Dianchi Water Treatment Co., Ltd. (the "**Company**") will be held at 2:00 p.m. on Friday, 31 July 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 RESOLUTION

1. To consider and approve the extension of the entrusted loan of RMB180 million granted to Kunming Urban Investment under the Entrusted Loan Contract, the Original Entrusted Loan Extension Agreements and the Entrusted Loan Extension Agreement III entered into by the Company with Kunming Urban Investment and Panlong District Rural Credit Cooperative on 9 June 2022, 9 June 2023, 29 April 2024 and 8 June 2026, respectively, to 7 June 2029.

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

Kunming, the PRC
15 July 2026

Notes:

1. According to the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Accordingly, the resolution set out in the notice of the EGM will be voted by poll. Results of the poll voting will be published on the Company's website at www.kmdcwt.com and the HKExnews website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk after the EGM.

2. Any Shareholder entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a Shareholder of the Company.

3. In order to be valid, the instrument appointing a proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or authority, must be completed and returned to the Company's registered office and headquarters in the PRC (for holders of Domestic Shares) or the H Share Registrar of the Company, Tricor Investor Services Limited (for holders of H Shares), at least 24 hours before the EGM (i.e. before 2:00 p.m. on Thursday, 30 July 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 EGM or any adjourned meeting thereof should he/she so wish.

4. For the purpose of determining the list of holders of H Shares who are entitled to attend the EGM, the H Share register of members of the Company will be closed from Saturday, 11 July 2026 to Friday, 31 July 2026 (both days inclusive). The holders of H Shares who wish to attend the EGM are required to submit the share certificates together with the transfer documents to the H Share Registrar of the Company, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, 10 July 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, 10 July 2026 are entitled to attend the EGM. For the purpose of determining the list of holders of Domestic Shares who are entitled to attend the EGM, the Domestic Share register of members of the Company will be closed from Saturday, 11 July 2026 to Friday, 31 July 2026 (both days inclusive). The holders of Domestic Shares who wish to attend the EGM 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, 10 July 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, 10 July 2026 are entitled to attend the EGM.

5. In case of joint shareholdings, the vote of the senior joint Shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint Shareholder(s) and for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint shareholding.

6. The EGM is expected to be held for less than half a day. Shareholders who attend the meeting in person or by proxy shall bear their own travelling and accommodation expenses.

7. The Company has the right to require any Shareholder or his/her proxy to produce proof of identity when attending the EGM.

8. The Company's registered office and headquarters in the PRC is Wastewater Treatment Plant No. 7, Kunming Dianchi Tourist Resort, Yunnan Province, the PRC.

9. All references to dates and time in this notice are to Hong Kong dates and time.

As of the date of this notice, the Board comprises Mr. Mu Yong, Mr. Ma Shuo and Ms. Lian Zhaoju, as executive Directors; Ms. Ding Heng, 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.