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

If you have sold or transferred all your shares in Kunming Dianchi Water Treatment Co., Ltd., you should at once hand this circular and the proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale 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 INDEPENDENT NON-EXECUTIVE DIRECTOR; (2) EXTENSION OF ENTRUSTED LOAN GRANTED TO KUNMING DEVELOPMENT AND INVESTMENT GROUP CO., LTD.; AND (3) 2023 SECOND EXTRAORDINARY GENERAL MEETING

The EGM will be held at 2:30 p.m. on Monday, 13 November 2023 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 25 to 26 of this circular.

If you intend to appoint a proxy to attend the EGM, you are required to complete and return the proxy form in accordance with the instructions printed thereon. For holders of H Shares, the proxy form should be returned to Tricor Investor Services Limited and for holders of Domestic Shares, the proxy form should be returned to the Company's registered office and headquarters in the PRC by personal delivery or by post not less than 24 hours before the time fixed for holding the EGM (i.e. before 2:30 p.m. on Sunday, 12 November 2023) 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.

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DEFINITIONS

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

“Articles of Association”	the articles of association of the Company, as amended from time to time
“Board”	the board of Directors of the Company
“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 established in the PRC with limited liability on 23 December 2010, and its H Shares are listed on the Stock Exchange (stock code: 3768)
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Domestic Shares”	ordinary shares in the Company’s capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB
“EGM”	the 2023 second extraordinary general meeting of the Company to be held at 2:30 p.m. on Monday, 13 November 2023 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 Development and Chenggong District Rural Credit Cooperative on 24 October 2022
“Entrusted Loan Extension Agreement”	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 Transaction”	the transaction contemplated under the Entrusted Loan Extension Agreement and the Supplemental Entrusted Loan Extension Agreement, namely the extension of 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

DEFINITIONS

“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
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is listed on the Main Board of the Stock Exchange and traded in Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the 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 of the Latest Practicable Date, representing 2.04% of the total share capital of the Company, and is not a connected person as defined under the Listing Rules
“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”	19 October 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing”	the 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
“PRC” or “China”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“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 meaning ascribed to it in the Listing Rules
“Supervisor(s)”	supervisors of the Company
“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 22 September 2023

* *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. Zeng Feng (*Chairperson*)

Mr. Chen Changyong (*General Manager*)

Non-executive Directors:

Mr. Xu Jingdong

Mr. Zhou Jianbo

Mr. Zhang Yang

Independent non-executive Directors:

Ms. Zheng Dongyu

Mr. Ong King Keung

*Registered office and headquarters
in the PRC:*

Wastewater Treatment Plant No. 7

Kunming Dianchi Tourist Resort

Yunnan Province

the PRC

Principal place of business in Hong Kong:

Room 1901, 19/F, Lee Garden One

33 Hysan Avenue

Causeway Bay, Hong Kong

26 October 2023

To the Shareholders

Dear Sirs and Madams,

**(1) PROPOSED APPOINTMENT OF
INDEPENDENT NON-EXECUTIVE DIRECTOR;
(2) EXTENSION OF ENTRUSTED LOAN GRANTED TO KUNMING
DEVELOPMENT AND INVESTMENT GROUP CO., LTD.; AND
(3) 2023 SECOND EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

On behalf of the Board, I invite you to attend the EGM to be held at 2:30 p.m. on Monday, 13 November 2023 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 the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the proposed resolutions at the EGM.

LETTER FROM THE BOARD

2. BUSINESSES TO BE CONSIDERED AT THE EGM

The businesses to be considered at the EGM are described in more detail in the notice of the EGM as set out on pages 25 to 26 of this circular.

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

- (a) to consider and approve the appointment of Mr. Zha Guiliang as an independent non-executive Director; and
- (b) To consider and approve the extension of the entrusted loan under the entrusted loan contract entered into by the Company with Kunming Development and Investment Group Co., Ltd. and Kunming Chenggong District Rural Credit Cooperative on 24 October 2022 granted to Kunming Development and Investment Group Co., Ltd. to 24 August 2024.

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

3. TO CONSIDER AND APPROVE THE APPOINTMENT OF MR. ZHA GUILIANG AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR

Reference is made to the announcement of the Company dated 20 September 2023 in relation to the resignation of Ms. Wang Dongfang (“**Ms. Wang**”) as an independent non-executive Director and the proposed appointment of Mr. Zha Guiliang (查貴良) (“**Mr. Zha**”) as an independent non-executive Director.

Ms. Wang, an independent non-executive Director, has tendered her resignation to the Board on 20 September 2023 to resign as an independent non-executive Director, the chairperson of the audit committee, a member of the remuneration and appraisal committee and a member of the strategy and investment decision committee due to her personal work arrangement and her wish to devote more time to other matters, and her resignation became effective on 20 September 2023.

After the resignation of Ms. Wang becoming effective on 20 September 2023, the Company has two independent non-executive Directors and each of the audit committee (the “**Audit Committee**”) and the remuneration and appraisal committee (the “**Remuneration and Appraisal Committee**”) of the Company has only two members. As a result, the Company is not in compliance with (i) the requirements set out in Rule 3.10(1) of the Listing Rules that the Company must have at least three independent non-executive Directors; (ii) the requirements set out in Rule 3.10A of the Listing Rules that the independent non-executive Directors appointed by the Company must constitute at least one-third of the Board; (iii) the requirements set out in Rule 3.21 of the Listing Rules that the Audit Committee must comprise at least three members and a majority of the members must be independent non-executive Directors; and (iv) the requirements set out in Rule 3.25 of the Listing Rules that the Remuneration and Appraisal Committee must be chaired by an independent non-executive Director and a majority of the members must be independent non-executive Directors.

LETTER FROM THE BOARD

As considered and approved by the Company at the 187th meeting of the first session of the Board held on 20 September 2023, Mr. Zha was proposed to be appointed as an independent non-executive Director of the first session of the Board, and a resolution in relation to the proposed appointment of Mr. Zha as an independent non-executive Director will be submitted at the EGM for consideration and approval by the Shareholders. The aforementioned proposed appointment will be subject to approval by the Shareholders at the EGM by way of ordinary resolution.

Biographical details of Mr. Zha are as follows:

Zha Guiliang, aged 43, holds a master's degree in management, and is a PRC certified public accountant, an accountant and a lecturer. He graduated from Yunnan University of Finance and Economics in July 2004 with a bachelor's degree in accounting; and graduated from Yunnan University of Finance and Economics in July 2011 with a master's degree in accounting.

Mr. Zha has been working in Southwest Forestry University since July 2004, engaging in financial management and teaching of accounting; during this period, he conducted research on corporate social responsibility and sustainable accounting (carbon accounting) at Western Sydney University, Australia as a visiting scholar under the Yunnan local public scholarship programme from November 2017 to November 2018; he has been working on a part-time basis at Yunnan Tianrui Accounting Firm Co., Ltd.* (雲南天瑞會計師事務所有限公司) since May 2014; and he has been serving as a director of Kunming Expressway Construction and Development Co., Ltd.* (昆明市高速公路建設開發股份有限公司) since August 2023.

The appointment of Mr. Zha as an independent non-executive Director will become effective after the resolution of his appointment is approved at the EGM. Thereafter, the Company will enter into a director service agreement with Mr. Zha for a term commencing from the day when the aforementioned resolution is considered and approved at the EGM till the day when the election of the next session of the Board is completed. Mr. Zha will receive a remuneration of RMB150,000 (before tax) per annum during his tenure as an independent non-executive Director.

To the best knowledge of the Board, save as disclosed above and as at the Latest Practicable Date: (1) Mr. Zha 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. Zha is not connected to any Director, supervisor, senior management, substantial shareholder or controlling shareholder of the Company; (3) before Mr. Zha's appointment as an independent non-executive Director comes into effect, he does not hold any other positions in the Company or any other member companies of the Group; and (4) Mr. Zha 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. Zha that need to be brought to the attention of the Shareholders.

LETTER FROM THE BOARD

4. EXTENSION OF ENTRUSTED LOAN GRANTED TO KUNMING DEVELOPMENT AND INVESTMENT GROUP CO., LTD.

References are made to the Company's announcements dated 24 October 2022 and 22 September 2023 in relation to the entering into of the Entrusted Loan Contract by the Company with Kunming Development and Chenggong District Rural Credit Cooperative on 24 October 2022, pursuant to which the Company entrusted Chenggong District Rural Credit Cooperative to provide a RMB200 million loan to Kunming Development for a term from 24 October 2022 to 24 September 2023; and the entering into of the Entrusted Loan Extension Agreement and the Supplemental Entrusted Loan Extension Agreement by the Company with Kunming Development and Chenggong District Rural Credit Cooperative in respect of the Entrusted Loan Contract and the Entrusted Loan Transaction contemplated thereunder on 22 September 2023 to extend the term of the entrusted loan with principal amount of RMB200 million under the Entrusted Loan Contract to 24 August 2024. Save for the amendments specified in the Entrusted Loan Extension Agreement and the Supplemental Entrusted Loan Extension Agreement, all other terms and conditions of the Entrusted Loan Contract remain unchanged.

(1) **Salient terms of the Entrusted Loan Contract, the Entrusted Loan Extension Agreement and the Supplemental Entrusted Loan Extension Agreement are set out below:**

	Entrusted Loan Contract	Entrusted Loan Extension Agreement and Supplemental Entrusted Loan Extension Agreement
Date:	24 October 2022	22 September 2023
Parties:	(i) the Company (as trustor) (ii) Kunming Development (as borrower) (iii) Chenggong District Rural Credit Cooperative (as trustee)	(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.	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.	11 months, i.e. from 24 September 2023 to 24 August 2024. Other relevant provisions of the Entrusted Loan Contract remain applicable.

LETTER FROM THE BOARD

	Entrusted Loan Contract	Entrusted Loan Extension Agreement and Supplemental Entrusted Loan Extension Agreement
Interest rate:	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.	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.
Release of loan:	The principal of entrusted loan under the Entrusted Loan Contract 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
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.

LETTER FROM THE BOARD

	Entrusted Loan Contract	Entrusted Loan Extension Agreement and Supplemental Entrusted Loan Extension Agreement
Early repayment and extension of loan:	<p>With the consent of the Company, Kunming Development may early 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. 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>
Service charge:	<p>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>	<p>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. Once paid, the service charge is non-refundable by the trustee.</p>

LETTER FROM THE BOARD

	Entrusted Loan Contract	Entrusted Loan Extension Agreement and Supplemental Entrusted Loan Extension Agreement
Others:		<p>The Entrusted Loan Extension Transaction 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 November 2023) notify the trustee and Kunming Development of the resolution of the EGM. If the Company fails to provide relevant resolution of the EGM 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>If the Entrusted Loan Extension Transaction is not approved by the Shareholders at the aforesaid EGM, 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 EGM 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 EGM 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

Basis of interest rate

The fixed annual interest rate of 8.5% under the Entrusted Loan Extension Agreement was negotiated and agreed 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 was up by 5.05% as compared to the prime rate of 3.45% for 1-year loans denominated in RMB promulgated by the National Interbank Funding Center on 20 September 2023; (2) prevailing market interest rate and practices; (3) the average interest rate of the Company's financing and returns within a reasonable range; and (4) the Company's assessment on the business conditions and creditworthiness of Kunming Development.

(2) Reasons for and benefits of entering into the Entrusted Loan Extension Transaction

As of the Latest Practicable Date, Kunming Development has settled all interest payable pursuant to relevant provisions of the Entrusted Loan Contract. By entering into the Entrusted Loan Extension Agreement and the Supplemental Entrusted Loan Extension Agreement, it will increase the interest income of the Company and at the same time facilitate the cooperation between the Group and Kunming Development in innovative financing models.

For the above reasons, the Directors (other than Mr. Ong King Keung and Mr. Zhou Jianbo) believe that the Entrusted Loan Extension 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. In particular, Mr. Ong King Keung and Mr. Zhou Jianbo abstained from voting at the Board meeting. Mr. Ong King Keung abstained from voting mainly because he considered that the entrusted loan was not within the scope of the principal business of the Company, and Mr. Zhou Jianbo abstained from voting mainly because he considered that the overall risks of the Entrusted Loan Extension Transaction were uncertain.

All Directors of the Board have given due and careful consideration to the Entrusted Loan Extension Transaction and the opinions of Mr. Ong King Keung and Mr. Zhou Jianbo. All Directors of the Board other than Mr. Ong King Keung and Mr. Zhou Jianbo were of the unanimous view that although the Entrusted Loan Extension Transaction is not the principal business of the Company, based on the Company's business plan and use of funds, the Entrusted Loan Extension Transaction can generate revenue for the Company and facilitate the cooperation between the Group and Kunming Development in innovative financing models. Meanwhile, the Company made enquiries and conducted investigations into the financial statements, debt position (including whether there is any default) for the last three years, future development and other publicly available information of Kunming Development. Based on the assessment of the cash flow, solvency, operating status and other factors of Kunming Development in the last three years, Kunming Development is considered to be solvent. Moreover, pursuant to the terms of the Entrusted Loan Contract, Kunming Development is obliged to notify the Company of any changes in its financial position or its material asset transfers and other matters that may affect the realisation of the Company's claims. The Company will continue to monitor the relevant information of Kunming Development and continuously assess its creditworthiness, and will take appropriate measures in a timely manner in the event of any material adverse changes to safeguard the Company's capital under the Entrusted Loan Extension Transaction. The Company's exposure to credit risk under the Entrusted Loan Extension Transaction is generally controllable.

LETTER FROM THE BOARD

(3) Financial impact

The Entrusted Loan Extension Transaction does not involve the release of new funds and the principal amount granted under the entrusted loan has been reflected in the Company's audited consolidated financial statements for the year ended 31 December 2022 and unaudited consolidated financial statements for the six months ended 30 June 2023. The term of the Entrusted Loan Extension Transaction is 11 months and is expected to generate revenue of approximately RMB15.58 million.

(4) Details of the parties to the Entrusted Loan Contract, the Entrusted Loan Extension Agreement 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.

Kunming Development

Kunming Development is a wholly state-owned company wholly owned directly by Kunming SASAC, and is a key industrial entity for deepening the government's investment and financing system reform and operation of urban public economic resources in Kunming city. The principal business of Kunming Development includes: investment in and financing of major infrastructure, various industries and major projects within the area of Kunming city; investment in and financing of land acquisition, reservation and development under the authorization of the Kunming Municipal Government; state-owned assets operation, real estate development, land development business under the authorization of the Kunming Municipal Government; investment, operation and management of agricultural and water conservancy projects.

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

LETTER FROM THE BOARD

(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, the Supplemental Entrusted Loan Extension Agreement and the Entrusted Loan Extension Transaction thereunder are more than 25% but less than 75%, the entering into of the Entrusted Loan Extension Agreement, the Supplemental Entrusted Loan Extension Agreement and the Entrusted Loan Extension Transaction 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 shall be subject to consideration and approval by the Shareholders of the Company. If the Entrusted Loan Extension Transaction fails to obtain the aforesaid approval from the Shareholders, Kunming Development shall repay all the principal amount of the entrusted loan under the Entrusted Loan Contract (i.e. RMB200 million) and settle all the interest payable up to the date of repayment of such principal amount of the entrusted loan.

5. 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 not less than 24 hours before the time fixed for holding the EGM (i.e. before 2:30 p.m. on Sunday, 12 November 2023) 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.

6. VOTING BY POLL

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

As of the Latest Practicable Date, Kunming Development held 20,959,760 Domestic Shares of the Company, representing 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 EGM for approval of the extension of entrusted loan granted to Kunming Development and Investment Group Co., Ltd.

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 resolution relating to the Entrusted Loan Extension Transaction or should be required to abstain from voting on the resolutions proposed at the EGM.

LETTER FROM THE BOARD

7. RECOMMENDATIONS

The Board considers that the resolutions proposed at the EGM 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 EGM.

Yours faithfully,
Zeng Feng
Chairperson

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 2020, 2021 and 2022 and the unaudited consolidated financial information for the six months ended 30 June 2023 are disclosed in the following annual reports of the Company for the years ended 31 December 2020, 2021 and 2022 and the interim report for the six months ended 30 June 2023 respectively, which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.kmdcwt.com):

- (i) The Group's annual report for the year ended 31 December 2020 published on 13 April 2021 (available at <https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0413/2021041300254.pdf>), particularly as shown in pages 167 to 311.
- (ii) The Group's annual report for the year ended 31 December 2021 published on 8 April 2022 (available at <https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0408/2022040800345.pdf>), particularly as shown in pages 176 to 318.
- (iii) The Group's annual report for the year ended 31 December 2022 published on 24 April 2023 (available at <https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0424/2023042400933.pdf>), particularly as shown in pages 160 to 310.
- (iv) The Group's interim report for the six months ended 30 June 2023 published on 19 September 2023 (available at <https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0919/2023091900434.pdf>), particularly as shown in pages 57 to 128.

2. INDEBTEDNESS OF THE GROUP

As at the close of business on 31 August 2023, being the latest practicable date for ascertaining the indebtedness of the Group prior to the printing of this circular, the Group mainly had (i) unsecured current borrowings of approximately RMB2,339 million, unsecured non-current borrowings of approximately RMB237 million; (ii) secured current borrowings of approximately RMB1,839 million, secured non-current borrowings of approximately RMB1,400 million, all of which were secured by charges over mainly the Group's revenue from sewage treatment, together with the property, plant and equipment with carrying value of approximately RMB787 million; (iii) financial liability of approximately RMB991 million, which was secured by charges over bill deposits of approximately RMB161 million (as a guarantee amount for the bill payables of the financial liability); and (iv) capital expenditure contracted for but not yet transpired in respect of property, plant and equipment of approximately RMB50 million and commitment for concession projects and construction projects contracted for but not yet transpired of approximately RMB1,728 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 August 2023, 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 requirements and to satisfy its requirements for at least the next 12 months from the date of publication of this circular in the absence of unforeseen circumstances.

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

4. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Group is a leading municipal wastewater treatment and reclaimed water supply services provider in Yunnan Province, the PRC, an integrated water-related services (including running water supply service) provider and a core enterprise implementing the PRC's strategic goal to treat pollutants at Dianchi Lake. The Company's main businesses include wastewater treatment and supply of reclaimed water and running water, with its industrial chain extending from urban wastewater treatment to treatment of industrial wastewater and wastewater in towns and villages, use of reclaimed water, sludge resource utilization, disposal of garbage and solid waste, water purification chemicals and water conservation.

For wastewater treatment business, as of 30 June 2023, the Group had a total of 40 wastewater treatment plants in operation (including 14 in the main city of Kunming and 26 in other areas of China), with a total wastewater treatment capacity of 2.04 million cubic meters per day. With our technologically advanced facilities, independently developed patents and strong management skills, we have been able to maintain low costs while providing high-quality wastewater treatment services. In the future, the Group will continue to maintain its advantages and strengthen and improve its wastewater treatment projects.

For reclaimed water supply business, as of 30 June 2023, we had 12 wastewater treatment plants producing reclaimed water, with a total designed daily production capacity of 237,000 cubic meters. Benefiting from the Company's technological foundation, we are able to produce and supply different high-quality reclaimed water based on the different needs of our customers and increase economic benefits. In recent years, with the increase in market demand and as the government attaches great importance to the use of reclaimed water, the amount of reclaimed water used has been increasing year by year.

For running water supply business, as of 30 June 2023, we had 8 running water plants in operation in the PRC. The Company's running water supply business has also been growing steadily in recent years.

In the future, the Company will continue to cultivate its main wastewater treatment business, 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, increasing the volume, and coordinating sustainable 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 2022, 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

(a) Interests and Short Positions of Directors, Supervisors and Chief Executives of the Company in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at the Latest Practicable Date, none of the Directors, supervisors or senior management of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules.

(b) 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 and short positions of the following persons (other than Directors, chief executives or supervisors of the Company) who had interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were entered in the register required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

Long positions

Name of Shareholder	Capacity/ nature of interest	Class of Shares	Number of Shares held	Approximate percentage of issued share capital of the Company as at the Latest Practicable Date
Kunming Dianchi Investment Co., Ltd. (昆明滇池投資有限責任公司) (“ Kunming Dianchi Investment ”)	Beneficial owner	Domestic Shares	627,253,548 (Note 2)	60.95%
Kunming Public Rental Housing Development and Construction Management Co., Ltd. (昆明市公共租賃住房開發建設管理有限公 司)	Security interest	Domestic Shares	33,013,345 (Note 3)	3.21%

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

Notes:

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

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

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

On 18 September 2023, the Company received the Notice of Assistance in Enforcement from the People’s Court of Panlong District, Kunming (《昆明市盤龍區人民法院協助執行通知書》), 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).

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

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

3. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

As at the Latest Practicable Date, none of the Directors or Supervisors had entered into or proposed to enter into any service contract with any member of the Group which is not expiring 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 2022 (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 at the Latest Practicable Date which is significant to the businesses of the Group.

6. DIRECTORS' AND SUPERVISORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDERS

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

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

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

7. MATERIAL CONTRACTS

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

- (a) On 29 September 2021, the Company and Kunming Dianchi Investment entered into the entrusted operation and management framework agreement, pursuant to which the Group will continue to provide operation and management services to Kunming Dianchi Investment and its subsidiaries (excluding the Group) for three years until 31 December 2024, including operation and management services for wastewater treatment facilities, reclaimed water supply facilities, and running water supply facilities. The annual caps (after tax) for the three years of 2022, 2023 and 2024 are RMB421,063,000, RMB574,539,000 and RMB593,140,000, respectively (please refer to the Company's announcement and circular disclosed on the websites of the Stock Exchange and the Company on 29 September 2021 and 26 October 2021, respectively, for details);

- (b) On 24 December 2021, the Company entered into the finance lease agreement with Industrial Bank Financial Leasing, pursuant to which Industrial Bank Financial Leasing agreed to (i) purchase the leased assets from the Company at a purchase price of RMB400 million, and (ii) lease back the leased assets to the Company for a term of five years. On 20 June 2023, the parties entered into the supplemental agreement for the finance lease agreement to adjust and supplement the lease term, interest rate and rental payment arrangement etc. (please refer to the Company's announcements and circular disclosed on the websites of the Stock Exchange and the Company on 24 December 2021, 24 February 2022, 20 June 2023 and 24 August 2023 for details);
- (c) On 31 December 2021, the Company entered into a supplemental agreement with Bosera Capital Management Co., Ltd.* (博時資本管理有限公司) and Kunming Branch of China Merchants Bank Company Limited to extend the term of the Mutual Trust No. 5 Asset Management Agreement entered into on 29 September 2021 to 10 April 2022 (please refer to the Company's announcement disclosed on the websites of the Stock Exchange and the Company on 31 December 2021 for details);
- (d) On 28 February 2022, the Company entered into the entrusted loan contract with Kunming Xindu Investment Co., Ltd.* (昆明新都投資有限公司) and Kunming Chenggong District Rural Credit Cooperative* (昆明市呈貢區農村信用合作聯社), pursuant to which the Company entrusted Kunming Chenggong District Rural Credit Cooperative to provide entrusted loan of RMB250 million to Kunming Xindu Investment Co., Ltd. with a term of 1 month and an interest rate of 8.5% per annum; on 28 March 2022, the Company entered into an extension agreement with Kunming Xindu Investment Co., Ltd. and Kunming Chenggong District Rural Credit Cooperative for the entrusted loan contract dated 28 February 2022 to extend the term of the entrusted loan under the entrusted loan contract dated 28 February 2022 to 28 July 2022 and adjust the interest rate to 9.0% per annum, and the Company entered into a security contract with Kunming Xindu Investment Co., Ltd., pursuant to which Kunming Xindu Investment Co., Ltd. agreed to provide mortgaged asset as security for the extension agreement (please refer to the Company's announcements disclosed on the websites of the Stock Exchange and the Company on 28 February 2022 and 28 March 2022 for details);
- (e) On 24 March 2022, the Company and CCB Financial Leasing Corporation Limited* (建信金融租賃有限公司) entered into two transfer agreements and two lease agreements. Under the transfer agreement I and the lease agreement I, CCB Financial Leasing Corporation Limited agreed to (i) purchase the leased assets from the Company for a transfer price not exceeding RMB100 million; and (ii) lease back the leased assets to the Company for a term of four years. Under the transfer agreement II and the lease agreement II, CCB Financial Leasing Corporation Limited agreed to (i) purchase the leased assets from the Company for a transfer price not exceeding RMB100 million; and (ii) lease back the leased assets to the Company for a term of five years (please refer to the Company's announcement disclosed on the websites of the Stock Exchange and the Company on 24 March 2022 for details);

- (f) On 9 June 2022, the Company entered into the entrusted loan contract with Kunming Urban Construction and Investment Development Co., Ltd.* (昆明市城建設投資開發有限責任公司) and Kunming Panlong District Rural Credit Cooperative* (昆明市盤龍區農村信用合作聯社), pursuant to which the Company entrusted Kunming Panlong District Rural Credit Cooperative to provide entrusted loan of RMB310 million to Kunming Urban Construction and Investment Development Co., Ltd. with a term of 12 months and an interest rate of 8.5% per annum. On 9 June 2023, the parties entered into the extension agreement 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 (please refer to the Company's announcements disclosed on the websites of the Stock Exchange and the Company on 9 June 2022, 16 June 2022, 9 June 2023 and 12 June 2023 for details);
- (g) On 29 June 2022, the Company, the People's Government of Suncun Town, Fanchang District* (繁昌區孫村鎮人民政府) and Fanchang Dianchi Water Treatment Co., Ltd.* (繁昌縣滇池水務有限公司) entered into the equity transfer agreement, pursuant to which the Company conditionally agreed to sell and the People's Government of Suncun Town, Fanchang District conditionally agreed to acquire 100% equity interest in Fanchang Dianchi Water Treatment Co., Ltd. for an estimated consideration of not more than RMB163 million (please refer to the Company's announcements disclosed on the websites of the Stock Exchange and the Company on 29 June 2022 and 7 July 2022 for details);
- (h) On 24 October 2022, the Company entered into the Entrusted Loan Contract with Kunming Development and Investment Group Co., Ltd.* (昆明發展投資集團有限公司) and Kunming Chenggong District Rural Credit Cooperative* (昆明市呈貢區農村信用合作聯社), pursuant to which the Company entrusted Kunming Chenggong District Rural Credit Cooperative to provide a RMB200 million entrusted loan to Kunming Development and Investment Group Co., Ltd. for a term from 24 October 2022 to 24 September 2023 with an interest rate of 8.5% per annum. On 22 September 2023, the Company entered into the Entrusted Loan Extension Agreement and the Supplemental Entrusted Loan Extension Agreement with Kunming Development and Investment Group Co., Ltd. and Kunming Chenggong District Rural Credit Cooperative to extend the term of the entrusted loan with principal amount of RMB200 million under the Entrusted Loan Contract dated 24 October 2022 to 24 August 2024. The Entrusted Loan Extension Transaction shall be subject to consideration and approval at the general meeting of the Company (please refer to the Company's announcements disclosed on the websites of the Stock Exchange and the Company on 24 October 2022 and 22 September 2023 for details);
- (i) On 16 June 2023, the Company entered into the entrusted loan contract with Kunming Anju Group Co., Ltd.* (昆明市安居集團有限公司) and Jinma Branch of Kunming Guandu Rural Cooperative Bank* (昆明官渡農村合作銀行金馬支行), pursuant to which the Company entrusted Jinma Branch of Kunming Guandu Rural Cooperative Bank to provide entrusted loan of RMB80 million to Kunming Anju Group Co., Ltd. with a term of 12 months and an interest rate of 8.5% per annum (please refer to the Company's announcement disclosed on the websites of the Stock Exchange and the Company on 16 June 2023 for details);

- (j) On 15 September 2023, the Company, the People's Government of Malong District, Qujing City, Yunnan Province, Qujing Zefeng Water Co., Ltd.* (曲靖澤豐水務有限公司) and Qujing Dianchi Water Treatment Co., Ltd.* (曲靖滇池水務有限公司) entered into the equity transfer agreement, pursuant to which, the Company has conditionally agreed to sell and the People's Government of Malong District, Qujing City, Yunnan Province and Qujing Zefeng Water Co., Ltd. have conditionally agreed to purchase 100% equity interest in Qujing Dianchi Water Treatment Co., Ltd. at an estimated consideration of up to RMB151,153,900 (please refer to the Company's announcement disclosed on the websites of the Stock Exchange and the Company on 15 September 2023 for details).

8. LITIGATION

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

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, PRC and its principal place of business in Hong Kong is located at Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.
- (b) The Company's H Share Registrar is Tricor Investor Services Limited which is located at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (c) The company secretary of the Company is Mr. Chiu Ming King, FCG, FCS.

10. DOCUMENTS FOR INSPECTION

Copy of the Entrusted Loan Extension Agreement 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.

* For identification purpose only

NOTICE OF 2023 SECOND EXTRAORDINARY GENERAL MEETING



Kunming Dianchi Water Treatment Co., Ltd.

昆明滇池水务股份有限公司

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

(Stock Code: 3768)

NOTICE OF 2023 SECOND EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 2023 second extraordinary general meeting (the “EGM”) of Kunming Dianchi Water Treatment Co., Ltd. (the “**Company**”) will be held at 2:30 p.m. on Monday, 13 November 2023 at the meeting room of the Company on the 1st floor at Wastewater Treatment Plant No.7, Kunming Dianchi Tourist Resort, Yunnan Province, the PRC, for the following purpose:

ORDINARY RESOLUTIONS

1. To consider and approve the appointment of Mr. Zha Guiliang as an independent non-executive Director of the Company; and
2. To consider and approve the extension of the entrusted loan under the entrusted loan contract entered into by the Company with Kunming Development and Investment Group Co., Ltd. and Kunming Chenggong District Rural Credit Cooperative on 24 October 2022 granted to Kunming Development and Investment Group Co., Ltd. to 24 August 2024.

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

Kunming, the PRC
26 October 2023

NOTICE OF 2023 SECOND EXTRAORDINARY GENERAL MEETING

Notes:

1. According to the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Accordingly, each of the resolutions set out in the notice of EGM will be voted by poll. Results of the poll voting will be published on the Company's website at www.kmdcwt.com and the HKExnews website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk after the EGM.
2. Any Shareholder entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a Shareholder of the Company.
3. In order to be valid, the instrument appointing a proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or authority, must be completed and returned to the Company's registered office and headquarters in the PRC (for holders of Domestic Shares) or the H Share Registrar of the Company, Tricor Investor Services Limited (for holders of H Shares), at least 24 hours before the EGM (i.e. before 2:30 p.m. on Sunday, 12 November 2023) 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 Tuesday, 24 October 2023 to Monday, 13 November 2023 (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, 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, 20 October 2023 for registration. Holders of H Shares who are registered with Tricor Investor Services Limited on or before the above date are entitled to attend the EGM.
5. In case of joint shareholdings, the vote of the senior joint Shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint Shareholder(s) and for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint shareholding.
6. The EGM is expected to be held for less than half a day. Shareholders who attend the meeting in person or by proxy shall bear their own travelling and accommodation expenses.
7. A Shareholder or his proxy should produce proof of identity when attending the EGM.
8. The Company's registered office and headquarters in the PRC is No. 7 Wastewater Treatment Plant, Kunming Dianchi National Tourist Resort, Yunnan Province, the PRC.
9. All references to dates and time in this notice are to Hong Kong dates and time.

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