



KANGDA INTERNATIONAL  
ENVIRONMENTAL COMPANY LIMITED

康達國際環保有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 6136

Interim Report  
2020



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Zhao Juanxian (alias, Zhao Junxian) (Co-Chairman)  
Mr. Li Zhong (Co-Chairman)  
Ms. Liu Yujie  
Mr. Duan, Jerry Linnan (Chief Executive Officer)

### Independent Non-executive Directors

Mr. Chau Kam Wing Donald  
Mr. Chang Qing  
Mr. Peng Yongzhen

## AUDIT COMMITTEE

Mr. Chau Kam Wing Donald (Chairman)  
Mr. Chang Qing  
Mr. Peng Yongzhen

## REMUNERATION COMMITTEE

Mr. Peng Yongzhen (Chairman)  
Mr. Zhao Juanxian (alias, Zhao Junxian)  
Mr. Chau Kam Wing Donald

## NOMINATION COMMITTEE

Mr. Chau Kam Wing Donald (Chairman)  
Mr. Zhao Juanxian (alias, Zhao Junxian)  
Mr. Li Zhong  
Mr. Peng Yongzhen  
Mr. Chang Qing

## COMPANY SECRETARY

Mr. Wong Wan Sing (appointed on 20 January 2020)  
Mr. Lie Chi Wing (resigned on 20 January 2020)

## AUTHORISED REPRESENTATIVES

Mr. Zhao Juanxian (alias, Zhao Junxian)  
Mr. Li Zhong

## REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## HEADQUARTER AND PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA ("CHINA" OR THE "PRC")

No. 72 Avenue of Stars  
High-Tech Park  
North New Zone  
Chongqing  
The PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 6409, 64/F  
Central Plaza  
18 Harbour Road, Wanchai  
Hong Kong

## SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

SMP Partners (Cayman) Limited  
3th Floor  
Royal Bank House  
24 Shedden Road  
George Town  
Grand Cayman KY1-1110  
Cayman Islands

# CORPORATE INFORMATION

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited  
Shops 1712–1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wan Chai  
Hong Kong

## LEGAL ADVISER

*As to Hong Kong law and PRC law:*  
King & Wood Mallesons

## PRINCIPAL BANKER

Industrial and Commercial Bank of China  
Chongqing Rural Commercial Bank  
Bank of China  
Shanghai Pudong Development Bank

## AUDITOR

Ernst & Young

## STOCK CODE

6136

## COMPANY WEBSITE

<http://www.kangdaep.com>

# MANAGEMENT DISCUSSION AND ANALYSIS

## INDUSTRY OVERVIEW

During the first half of 2020, the global economy was severely impacted by the Novel Coronavirus pandemic, in which most industries have undergone volatile fluctuations and shrink. However, as one of the core basic services to maintain environmental hygiene of our communities, wastewater treatment is greatly emphasized with strong support from the government. On 1 February 2020, the Ministry of Ecology and Environment of the PRC published the "Notice regarding monitoring of medical wastewater and urban wastewater under the Novel Coronavirus pandemic"\* ("關於做好新型冠狀病毒感染的肺炎疫情醫療污水和城鎮污水監管工作的通知"), to employ monitoring of urban wastewater, which is regarded as an important element of prevention and control of the pandemic. During the period, Kangda International Environmental Company Limited (the "Company", with its subsidiaries, the "Group") fully complied with the prevention and control policies by the local governments, and adopted closed management as to all the wastewater treatment plants, in order to ensure the continuous operation of all wastewater treatment plants and the safety of its staff. Under the circumstance that the pandemic was gradually under control in China, the six ministries and commissions including National Development and Reform Commission and Ministry of Ecology and Environment jointly published the "Implementation opinions regarding building better development environment to support the robust development of environmental protection private enterprises"\* ("關於營造更好發展環境支持民營節能環保企業健康發展的實施意見"), to create a better environment for the development of environmental protection private enterprises. In July 2020, the PRC published the "Implementation proposal to strengthen weak points regarding urban wastewater treatment"\* ("城鎮生活污水處理設施補短板強弱項實施方案"), which specified the respective targets of urban wastewater treatment until 2023. The Group believes the policies in respect of wastewater treatment will be favorable to the industry in the foreseeable future.

## DEVELOPMENT STRATEGIES AND FUTURE DEVELOPMENT

Since the mid-2019, the Group has adopted the operational principles of "Strengthening the basic, cutting expenditure and raising revenue", and we have achieved satisfactory results during the period. With stringent control of management and operating costs, our flat management structure has been continuously optimized, profitability significantly increased and the gearing ratio stably decreased. In the future, the Group will continue to focus on our main business, namely wastewater treatment, and increasing our profitability and improving the operational cash flows by raising treatment standards and expansion of our existing projects. The Group will seek more efficient forms of fund raising, so as to decrease the gearing ratio, expand funding channels, reduce finance costs and optimize our debt structures. The Group will continue to optimize our management structure, increase operational efficiency, reduce operational costs and management expenses, and in the meanwhile, speed up the process of activating low-efficiency assets. In addition, the Group will continue to seek opportunities to expand its water industry into the upstream and downstream industries, carefully select projects including disposal of sludge, operation, maintenance and construction of drainage facilities, reuse of reclaimed water and disposal of industrial wastewater, so as to maximize return for our shareholders.

\* For identification purposes only

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

In the year of 2019, a wholly-owned subsidiary of China Water Affairs Group Limited (“China Water”) acquired approximately 29.52% of the entire issued share capital of the Company from Kangda Holdings Company Limited, and subsequently China Water became the single largest shareholder of the Group. The adjustment of the single largest shareholder also brought new opportunities and development to the Group. The Group integrated the resources and combined the divisions to maintain its focus on the environmental protection business in the future, which is primarily urban wastewater treatment.

On 8 May 2020 China Water completed the subscription and Baring Private Equity Asia V Holding (5) Limited (“BPEA”) completed the issue of the exchangeable bonds (the “Exchangeable Bonds”). The Exchangeable Bonds entitled the holder thereof to exchange for 344,129,996 company shares (representing approximately 16.08% of the entire existing issued share capital of the Company) owned by BPEA. Completion of subscription and issuance of the Exchangeable Bonds shows these two major shareholders’ confidence in the development of the Company.

During the six months ended 30 June 2020 (the “Reporting Period”), our principal business activities remained focusing on the Urban Water Treatment, followed by the existing projects of Water Environment Comprehensive Remediation and the Rural Water Improvement.

The scope of Urban Water Treatment includes the design, construction, upgrade and operation of wastewater treatment plants, reclaimed water treatment plants, sludge treatment plants, water distribution plants, and in the operation and maintenance of wastewater treatment facilities entrusted by governments (the “O&M”). The Group’s business has covered the overall industry chain in Urban Water Treatment industry by executing contracts of Build-Operate-Transfer (the “BOT”), Transfer-Operate-Transfer (the “TOT”), Public-Private-Partnership (the “PPP”), Build-Own-Operate (the “BOO”), Engineering Procurement Construction (the “EPC”) and O&M.

The scope of Water Environment Comprehensive Remediation includes river harnessing and improvement, foul water body treatment and sponge city construction. The Group engages in Water Environment Comprehensive Remediation by executing previously signed contracts of PPP and EPC.

The scope of Rural Water Improvement includes the construction and operation related to “the Water Environment Facilities of Beautiful Village” such as: wastewater treatment facilities and pipeline construction for collecting wastewater so as to achieve rural living environment improvement. The Group started to carry out this business since 2016 by executing the contracts of PPP.

In the future, the Group will continuously focus on the business of Urban Water Treatment to get steady cash flows and invest in high-quality, value-adding upstream and downstream businesses of water industry. The Group is very confident about the Group’s prospects and future profitability. And we will dedicate more efforts to enhance the profitability and effectiveness of the Group.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 1.1 Urban Water Treatment

As at 30 June 2020, the Group had entered into a total of 112 service concession arrangements projects, including 105 wastewater treatment plants, 2 water distribution plants, 3 sludge treatment plants and 2 reclaimed water treatment plants. The Group will further expand its Urban Water Treatment chain in the future, in order to improve its profitability and competitiveness.

Analysis of the Group's projects on hand as at 30 June 2020 is as follows:

	Daily wastewater treatment capacity	Daily water distribution capacity	Daily reclaimed water treatment capacity	Daily sludge treatment capacity	Total
<i>(Tonnes)</i>					
In operation	3,591,500	–	40,000	550	3,632,050
Not yet start operation/ Not yet transferred	670,000	180,000	25,000	–	875,000
<b>Total</b>	<b>4,261,500</b>	<b>180,000</b>	<b>65,000</b>	<b>550</b>	<b>4,507,050</b>
<i>(Number of projects)</i>					
In operation	89	–	1	3	93
Not yet start operation/ Not yet transferred	16	2	1	–	19
<b>Total</b>	<b>105</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>112</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

	Number of projects	Treatment capacity (Tonnes/Day)	Actual processing volume during the six months ended 30 June 2020 (Million Tonnes)
<b>Wastewater treatment services</b>			
Shandong	45	1,244,500	151.4
Henan	23	1,060,000	150.9
Heilongjiang	6	425,000	70.2
Shanxi	2	350,000	23.9
Zhejiang	2	250,000	44.1
Guangdong	4	220,000	12.2
Anhui	3	175,000	21.8
Jiangsu	6	102,000	13.3
Other provinces/municipalities*	14	435,000	36.3
	105	4,261,500	524.1
<b>Water distribution services</b>	2	180,000	–
<b>Reclaimed water treatment services</b>	2	65,000	1.0
<b>Total</b>	<b>109</b>	<b>4,506,500</b>	<b>525.1</b>
<b>Sludge treatment services</b>			
	3	550	–
<b>Total</b>	<b>112</b>	<b>4,507,050</b>	<b>525.1</b>

\* Other provinces/municipalities include Beijing, Tianjin, Hebei, Jilin, Liaoning, Shaanxi, Sichuan and Fujian.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 1.1.1 Operation Services

As at 30 June 2020, the Group had 89 wastewater treatment projects, 1 reclaimed water treatment project, and 3 sludge treatment projects in operation in Mainland China. Total daily treatment capacity of wastewater treatment plants, reclaimed water treatment plant, and sludge treatment plants in operation for the six months ended 30 June 2020 reached 3,591,500 tonnes (2019: 3,461,500 tonnes), 40,000 tonnes (2019: 40,000 tonnes), and 550 tonnes (2019: 550 tonnes), respectively. For the six months ended 30 June 2020, the annualized utilization rate for wastewater and reclaimed water treatment plants in operation was approximately 79% (2019: 83%). The decrease in average utilization rate was primarily due to the actual processing volume of partial newly commenced water plants were much lower than the design capacity in the early stage. The actual average water treatment tariff for the six months ended 30 June 2020 was approximately RMB1.46 per tonne (2019: approximately RMB1.47 per tonne). The actual aggregate processing volume for the six months ended 30 June 2020 was 525.1 million tonnes, representing an increase of 6% as compared to the same period last year (six months ended 30 June 2019: 496.4 million tonnes), which was in line with the increase in treatment capacity.

Total operation revenue of the Group's Urban Water Treatment services recorded for the six months ended 30 June 2020 was RMB487.5 million, representing an increase of approximately 12% (six months ended 30 June 2019: RMB433.7 million). The corresponding increase was primarily due to the increase of the number of commencement of operation of new water treatment projects through construction.

## 1.1.2 Construction Services

The Group entered into a number of service concession arrangements under BOT, BOO and PPP contracts in relation to its Urban Water Treatment business. Under the International Financial Reporting Interpretation Committee 12 Service Concession Arrangements, the Group recognises the construction revenue with reference to the fair value of the construction service delivered in the building phase. The fair value of such service is estimated on a cost-plus basis with reference to a prevailing market rate of gross margin at the inception date of service concession agreement. Construction revenue from BOT, BOO, PPP and EPC projects is recognised by using the percentage-of-completion method.

For the six months ended 30 June 2020, construction revenue was recognised for 29 projects, including 23 wastewater treatment plants, 2 water distribution plants, 1 reclaimed water treatment plant, and 3 sludge treatment plants, which were mainly located in Henan, Shandong, Shanxi, and Heilongjiang provinces in Mainland China. Total construction revenue of those projects for the six months ended 30 June 2020 was RMB717.0 million, representing a year-on-year increase of approximately 25% (six months ended 30 June 2019: RMB574.4 million). The corresponding increase was primarily due to the rapid implementation of new projects. As at 30 June 2020, the total daily treatment capacity of the service concession arrangements plants, which were still in the construction stage, was 750,000 tonnes, including 545,000 tonnes of wastewater treatment plants, 180,000 tonnes of water distribution plants and 25,000 tonnes of reclaimed water treatment plant.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 1.2 Water Environment Comprehensive Remediation

In the year of 2019, the Group combined the divisions and continued to devote efforts to implementing the existing projects of Water Environment Comprehensive Remediation. As at 30 June 2020, the Group had entered into 2 PPP projects and 13 EPC projects in Henan, Guangxi, Jiangxi, Shandong and other provinces in Mainland China. The Group devoted efforts to lower the risk and enhance the reasonable profit. The Group will integrate resources to execute the Water Environment Comprehensive Remediation projects under the contracts of EPC and O&M.

The Group had 14 Water Environment Comprehensive Remediation projects under construction during the six months ended 30 June 2020. The projects were mainly located in Henan, Jiangxi, Shandong and other provinces in Mainland China. For the six months ended 30 June 2020, total revenue of those projects was RMB164.1 million, representing a year-on-year increase of approximately 118% (six months ended 30 June 2019: RMB75.3 million). The corresponding increase was primarily due to the increase in the construction work of existing EPC projects.

## 1.3 Rural Water Improvement

In the year of 2019, the Group implemented 3 projects of Rural Water Improvement which were located in Guangdong and Guizhou provinces in Mainland China. For the six months ended 30 June 2020, total revenue of those projects was RMB43.9 million, representing a year-on-year increase of approximately 33% (six months ended 30 June 2019: RMB32.9 million). The corresponding increase was primarily due to the increase in the construction work of existing projects.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL ANALYSIS

### Revenue

For the six months ended 30 June 2020, the Group recorded a revenue of RMB1,729.8 million, representing an increase of approximately 22% as compared to the previous corresponding period of RMB1,412.6 million. The increase was mainly due to the increase in construction revenue of RMB238.6 million, the increase in operation revenue of RMB56.8 million, and the increase in financial income of RMB21.8 million. The increase in construction revenue was mainly due to the rapid implementation of new projects of Urban Water Treatment services, the increase in the construction work of existing projects of Water Environment Comprehensive Remediation services. The increase in operation revenue was mainly due to the increase in commencement of operation of new BOT and upgrade projects of Urban Water Treatment. The increase in financial income was mainly due to the increase in the financial assets.

### Cost of Sales

The Group's cost of sales for the six months ended 30 June 2020 amounted to RMB1,090.5 million, including construction costs of RMB770.4 million and operation costs of water treatment plants of RMB320.1 million, and representing an increase of approximately 33% as compared to the previous corresponding period of RMB817.3 million. The increase was due to the increase in construction and operation costs. The increase in construction costs was mainly due to the increase in the construction work of existing and new projects which was in line with the increase of construction revenue. The increase in operation cost was in line with the increase of daily wastewater treatment capacity.

### Gross Profit Margin

For the six months ended 30 June 2020, gross profit margin was approximately 37%, representing a decrease of 5 percentage points as compared to the previous corresponding period of approximately 42%. The decrease was mainly due to the increase in the proportion of construction revenue recognised in this period, while the average gross profit margin of construction revenue was relatively low.

### Other Income and Gains

The Group recorded other income and gains of RMB71.6 million for the six months ended 30 June 2020, representing an increase of approximately 5% as compared to the previous corresponding period of RMB68.2 million. The amount for this Reporting Period primarily included government grants of RMB32.3 million, which mainly comprised of VAT refund under "Notice on the Issuing of the Catalogue of Value-Added Tax Preferences for Products and Labor Services Involving the Comprehensive Utilization of Resources (CaiShui [2015] No. 78)"\* (關於印發《資源綜合利用產品和勞務增值稅優惠目錄》的通知(財稅[2015] 78號文)) and grants for environmental protection, bank interest income of RMB2.9 million, interest income of RMB9.0 million from loans to third parties, and other investment income of RMB26.1 million.

\* For identification purposes only

# MANAGEMENT DISCUSSION AND ANALYSIS

## Selling and Distribution Expenses

The Group's selling and distribution expenses for the six months ended 30 June 2020 was RMB1.7 million, representing a significant decrease of approximately 50% as compared to RMB3.4 million in the previous corresponding period, which was a result of stringent management and cost control.

## Administrative Expenses

Administrative expenses for the six months ended 30 June 2020 was RMB97.1 million, representing a decrease of approximately 19% as compared to the previous corresponding period of RMB120.3 million. The decrease was mainly due to the decrease in staff costs and traveling and entertainment expenses which was caused by the stringent management and cost control.

## Finance Costs

Finance costs for the six months ended 30 June 2020 of RMB289.6 million mainly comprised of interests on interest-bearing bank and other borrowings and corporate bonds, representing an increase of approximately 6% as compared to RMB273.7 million in the previous corresponding period. The increase in finance costs was mainly due to the increase of average interest-bearing bank and other borrowings and corporate bonds, and higher interest rate on long-term interest-bearing bank and other borrowings. The average balance of interest-bearing bank and other borrowings and corporate bonds increased by RMB197.1 million and the average interest rate was 6.21%, representing an increase of 0.21 percentage points as compared to that in the previous corresponding period. The increase in average interest rate was mainly due to the change in the loan structure, the long-term interest-bearing bank and other borrowings obtained which bore a relatively higher rate than the short-term one. Due to the rapid increase in finance costs, the Group will seek practical way to optimize loan structure, expand financing channels and methods and lower the average interest rate in the coming year.

## Share of Profits and Losses of Associates

Share of losses of associates for the six months ended 30 June 2020 was RMB3.7 million, representing a decrease of approximately 8% as compared to share of losses of associates of RMB4.0 million in the previous corresponding period, primarily due to the decrease in share of losses of Zhongyuan Water Group Co., Ltd.\* (中原水務集團有限公司).

## Income Tax Expense

Income tax expense for the six months ended 30 June 2020 included the current PRC income tax of RMB8.6 million and deferred tax expenses of RMB65.7 million, which were RMB30.2 million and RMB41.8 million for the previous corresponding period, respectively. The Group's effective tax rate for the six months ended 30 June 2020 was approximately 24%, representing a decrease of 4 percentage point as compared with 28% for the previous corresponding period, which was mainly due to (i) the increase in effect of lower tax rates for specific provinces or enacted by local authority, (ii) the decrease in expenses not deductible for tax, and (iii) the increase in tax losses not recognised.

\* For identification purposes only

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Receivables

	As at	
	30 June 2020 RMB'000	31 December 2019 RMB'000
Receivables for service concession arrangements	9,508,049	9,157,975
Portion classified as current	(1,668,597)	(1,643,994)
Non-current portion	7,839,452	7,513,981

As at 30 June 2020, the Group's financial receivables of RMB9,508.0 million (31 December 2019: RMB9,158.0 million) increased by RMB350.0 million, which was mainly due to the increase in financial receivables which were reclassified from contract assets once the construction and upgrade period is ended for the water treatment projects.

## Contract Assets

	As at	
	30 June 2020 RMB'000	31 December 2019 RMB'000
Contract assets	2,471,650	2,249,371
Portion classified as current	(255,582)	(222,236)
Non-current portion	2,216,068	2,027,135

As at 30 June 2020, the Group's contract assets of RMB2,471.7 million (31 December 2019: RMB2,249.4 million), increased by RMB222.3 million, mainly due to the net impact of reclassification from contract assets to financial receivables and the increase of construction of the Group's projects under BOT, PPP, and EPC contracts.

## Trade and Bills Receivables

As at 30 June 2020, the Group's trade and bills receivables of RMB1,437.3 million (31 December 2019: RMB1,363.6 million) mainly arose from the provision of wastewater treatment and sludge treatment services for Urban Water Treatment projects as well as construction services for the Group's Water Environment Comprehensive Remediation projects. The balance increased by RMB73.7 million, mainly due to (i) the increase of Urban Water Treatment projects receivables of approximately RMB134.8 million, and (ii) the net decrease of Water Environment Comprehensive Remediation projects receivables of approximately RMB52.1 million, which included EPC project receivables of approximately RMB197.7 million arising from the progress billing and cash collected from EPC and Build-Transfer ("BT") projects of approximately RMB249.8 million.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Prepayments, Other Receivables and Other Assets

As at 30 June 2020, the Group's prepayments, other receivables and other assets of RMB839.5 million (31 December 2019: RMB839.9 million) decreased by RMB0.4 million, representing a minor change as compared with that as at the end of the previous period.

## Cash and Cash Equivalents

As at 30 June 2020, the Group's cash and cash equivalents of RMB822.2 million (31 December 2019: RMB225.7 million) increased by RMB596.5 million as compared with that as at the end of previous period. The increase was due to the increase in cash inflows from financing activities and investing activities of the Group.

	For the six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Net cash flows used in operating activities <sup>(1)</sup>	(32,770)	(159,179)
Net cash flows used from/(in) investing activities	511,684	(123,628)
Net cash flows used from/(in) financing activities	117,726	(543,091)
Net increase/(decrease) in cash and cash equivalents	596,640	(825,898)
Effect of foreign exchange rate changes	(144)	3
Cash and cash equivalents at beginning of the period	225,672	976,246
Cash and cash equivalents at end of the period	822,168	150,351

Note:

- (1) For the six months ended 30 June 2020 and 2019, the Group invested RMB459.5 million and RMB376.1 million, respectively, in the Group's BOT/TOT and PPP projects. Such investments were accounted for as cash flows used in operating activities. Under the relevant accounting treatment, part of such cash outflows used in operating activities was used to form the non-current portion of financial receivables and contract assets in the Group's interim condensed consolidated statement of financial position. For the six months ended 30 June 2020 and 2019, the Group would have incurred cash inflows of RMB426.7 million and RMB216.9 million, respectively, if the Group's investments in BOT/TOT and PPP activities were not accounted for as cash flows used in operating activities.

## Trade and Bills Payables

As at 30 June 2020, the Group's trade and bills payables of RMB1,909.1 million (31 December 2019: RMB1,783.0 million) increased by RMB126.1 million, which was in line with the increase of the Group's construction work in progress and the settlements.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Other Payables and Accruals

As at 30 June 2020, the Group's other payables and accruals of RMB232.2 million (31 December 2019: RMB360.6 million) decreased by RMB128.4 million, which was mainly due to the decrease in payables for acquisitions and amounts due to related parties.

## Liquidity and Financial Resources

The Group's principal liquidity and capital requirements primarily relate to investments in Urban Water Treatment projects, Water Environment Comprehensive Remediation projects, and Rural Water Improvement projects, merger and acquisition of subsidiaries, costs and expenses related to the operation and maintenance of the Group's facilities, working capital and general corporate purpose.

As at 30 June 2020, the carrying amount of the Group's cash and cash equivalents was RMB822.2 million, representing an increase of approximately RMB596.5 million as compared to RMB225.7 million as at 31 December 2019, which was mainly due to the net cash inflows from financing activities of RMB117.7 million, settlements of acquisition and investing payables of RMB26.2 million and cash outflows of RMB108.9 million for purchases of property, plant and equipment and intangible assets in investing activities, cash inflows of RMB34.5 million for decrease in pledged deposits, repurchase of other current financial assets of RMB611.1 million, cash inflows of RMB0.8 million for disposal of a subsidiary from investing activities, cash inflows of RMB0.3 million for disposal of property, plant and equipment and intangible assets from investing activities, and the net cash outflows of RMB32.8 million used in operating activities.

The Group's total interest-bearing bank and other borrowings amounted to RMB8,957.4 million as at 30 June 2020 (31 December 2019: RMB7,632.6 million), including lease liabilities of RMB2.0 million arising from the application of new lease standard under IFRS 16 — Leases since 1 January 2019, over 56% of interest-bearing bank and other borrowings bear interest at floating rates.

The Group's total corporate bonds amounted to RMB579.7 million as at 30 June 2020 (31 December 2019: RMB1,476.8 million), which comprised of corporate bonds issued on 13 June 2018, with an aggregate amount of RMB300.0 million, and asset backed securities (the "ABS") issued on 10 August 2018 with net cash amount of RMB319.0 million. All the corporate bonds and ABS bear interest at fixed rates.

As at 30 June 2020, the Group had banking facilities amounting to RMB57,930.4 million, of which RMB49,124.0 million have not been utilized. The unutilized of RMB49,124.0 million were mainly limited to be utilized on environmental protection infrastructure and comprehensive management.

As at 30 June 2020, the gearing ratio of the Group (calculated by total liabilities divided by total assets) was 72.0%, while the gearing ratio was 72.5% as at 31 December 2019.

## Charges on the Group's Assets

Outstanding balance of interest-bearing bank and other borrowings as at 30 June 2020 was approximately RMB8,957.4 million, which were repayable within one month to twenty-five years and were secured by financial receivables, service concession intangible assets, property, plant and equipment, trade receivables, contract assets and pledged deposits, of which the total amounts of the pledge of assets amounted to RMB9,225.6 million.

# MANAGEMENT DISCUSSION AND ANALYSIS

## EMPLOYEES AND REMUNERATION POLICIES

The Group had 2,376 employees as at 30 June 2020. The remuneration package of the Group is generally determined with reference to market conditions and individual performance. Salaries are normally reviewed annually based on performance appraisals and other relevant factors. The Group provides external and internal training programs to its employees.

## CONTINGENT LIABILITIES

As at 30 June 2020, the Group did not have any significant contingent liabilities (31 December 2019: Nil).

## FOREIGN EXCHANGE RISK

Majority of the subsidiaries of the Company operate in the PRC with most of the transactions denominated and settled in RMB. As at 30 June 2020, except for the bank deposits and certain amount of interest-bearing bank borrowings denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations. Currently, the Group has not used derivative financial instruments to hedge its foreign currency risk.

## EVENTS AFTER THE REPORTING PERIOD

Save as disclosed, no significant events took place subsequent to 30 June 2020.

# OTHER INFORMATION

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Adapting and adhering to the recognised standards of corporate governance principles and practices has always been one of the top priorities of the Company. The board (the "Board") of directors (the "Directors") of the Company believes that good corporate governance is one of the factors that lead to the success of the Company and in balancing the interests of its shareholders, customers and employees, and the Board is devoted to ongoing enhancements of the efficiency and effectiveness of such principles and practices.

The Company has adopted the code provisions included in the corporate governance code (the "Corporate Governance Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Board is of the view that during the six months ended 30 June 2020, the Company has complied with the Corporate Governance Code and there has been no deviation from the code provisions as set forth under the Corporate Governance Code.

The Group further strengthened the control over budget, risk, performance and responsibilities, optimized management approaches and strategies, improved supporting mechanism and enhanced control effectiveness and operational efficiency of the Group.

The Group enhanced overall control over target responsibilities and budget control, which was promoted and implemented within the entities under the Group as well as management level, and implemented the main body responsibility system through an organic combination of the trinity of responsibilities, authority and rights to fully stimulate team members' initiative.

The Group also took initiative to enhance efforts in fund management, financial risk control, project investment decisions, legal risk control, information disclosure and maintenance of investor relationship to strive for more effective and transparent management in accordance with the Corporate Governance Code.

## INTERIM DIVIDEND

The Board did not recommend the payment of interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

## OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2020, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) 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 (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

Name of Director	Nature of Interest	Number of Shares	Approximate percentage of issued share capital of the Company
Mr. Zhao Juanxian (alias, Zhao Junxian) <sup>(1)</sup>	Person acting in concert (long position)	546,728,004	25.56%
Mr. Li Zhong	Beneficial owner (long position)	10,000,000	0.47%
Ms. Liu Yujie	Beneficial owner (long position)	10,000,000	0.47%
Mr. Duan, Jerry Linnan	Beneficial owner (long position)	10,000,000	0.47%
Mr. Chau Kam Wing	Beneficial owner (long position)	2,000,000	0.09%
Mr. Chang Qing	Beneficial owner (long position)	2,000,000	0.09%
Mr. Peng Yongzhen	Beneficial owner (long position)	2,000,000	0.09%

Notes:

- (1) By virtue of Mr. Zhao Juanxian acting in concert with Mr. Zhao Sizhen, being the son of Mr. Zhao Juanxian, under the SFO, Mr. Zhao Juanxian is deemed to be interested in Mr. Zhao Sizhen's interests in the Company.

Save as disclosed above, as at 30 June 2020, none of the Directors and the chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## OTHER INFORMATION

### INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES

As at 30 June 2020, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/Nature of Interest	Number of Shares/ Underlying Shares held	Percentage of Issued Share Capital of the Company
China Water Affairs Group Limited <sup>(1)(5)</sup>	Interest of controlled corporation (long position)	953,119,996	44.54%
Sharp Profit Investments Limited ("Sharp Profit") <sup>(1)(5)</sup>	Beneficial owner (long position)	953,119,996	44.54%
Mr. Zhao Sizhen <sup>(2)</sup>	Interest of controlled corporation (long position)	543,828,004	25.42%
	Beneficial owner (long position)	2,900,000	0.14%
Kangda Holdings Company Limited <sup>(3)</sup>	Beneficial owner (long position)	543,828,004	25.42%
Baring Private Equity Asia V Holding (5) Limited ("BPEA V") <sup>(4)(5)</sup>	Beneficial owner (long position)	344,129,996	16.08%
	Beneficial owner (short position)	344,129,996	16.08%
The Baring Asia Private Equity Fund V, L.P. <sup>(4)(5)</sup>	Interest of controlled corporation (long position)	344,129,996	16.08%
	Interest of controlled corporation (short position)	344,129,996	16.08%
Baring Private Equity Asia GP V, L.P. <sup>(4)(5)</sup>	Interest of controlled corporation (long position)	344,129,996	16.08%
	Interest of controlled corporation (short position)	344,129,996	16.08%
Baring Private Equity Asia GP V Limited <sup>(4)(5)</sup>	Interest of controlled corporation (long position)	344,129,996	16.08%
	Interest of controlled corporation (short position)	344,129,996	16.08%
Mr. Jean Eric Salata <sup>(4)(5)</sup>	Interest of controlled corporation (long position)	344,129,996	16.08%
	Interest of controlled corporation (short position)	344,129,996	16.08%

## OTHER INFORMATION

### Notes:

- (1) Sharp Profit is wholly owned by China Water Affairs Group Limited. China Water Affairs Group Limited is therefore deemed to be interested in Sharp Profit's interests in the Company under the SFO.
- (2) By virtue of Mr. Zhao Juanxian acting in concert with Mr. Zhao Sizhen, under the SFO, Mr. Zhao Juanxian is deemed to be interested in Mr. Zhao Sizhen's interests in the Company.
- (3) Kangda Holdings Company Limited is wholly-owned and controlled by Mr. Zhao Sizhen and Mr. Zhao Sizhen is therefore deemed to be interested in the shares held by Kangda Holdings Company Limited under the SFO.
- (4) BPEA V is held as to approximately 99.35% by The Baring Asia Private Equity Fund V, L.P.. Baring Private Equity Asia GP V, L.P., is the general partner of The Baring Asia Private Equity Fund V, L.P.. Mr. Jean Eric Salata is the sole shareholder of Baring Private Equity Asia GP V Limited, the general partner of Baring Private Equity Asia GP V, L.P.. Each of The Baring Asia Private Equity Fund V, L.P., Baring Private Equity Asia GP V, L.P., Baring Private Equity Asia GP V Limited and Mr. Jean Eric Salata is deemed to be interested in BPEA V's interests in the Company. Mr. Jean Eric Salata disclaims beneficial ownership of such interests, other than to the extent of his economic interest in such entities.
- (5) On 8 May 2020, BPEA V issued exchangeable bonds with principal amount of HK\$361,336,495.8 to Sharp Profit ("Exchangeable Bonds"), which entitled the holder of the Exchangeable Bonds to exchange for 344,129,996 shares of the Company (at the initial exchange price of HK1.05 per share of the Company) beneficially owned by BPEA V. As at 30 June 2020, Sharp Profit beneficially owned 608,990,000 shares of the Company and is the holder of the Exchangeable Bonds with principal amount of HK\$361,336,495.8 which are exchangeable into 344,129,996 shares of the Company beneficially owned by BPEA V.

Save as disclosed above, and as at 30 June 2020, the Directors were not aware of any persons (who were not a Director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

## CHANGE OF COMPANY SECRETARY

On 20 January 2020, Mr. Lie Chi Wing resigned as the company secretary of the Company and Mr. Wong Wan Sing was appointed as the company secretary of the Company.

## PUBLIC FLOAT

Based on information publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued share capital, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, are held by the public at all times as at the date of this report.

# OTHER INFORMATION

## SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") for a term of 10 years on 14 June 2014.

A resolution was passed by the shareholders of the Company at the annual general meeting of the Company held on 10 June 2020 (the "AGM"), approving, inter alia, to refresh the limit of the Share Option Scheme to 213,973,500 shares of the Company (the "Refreshed Scheme Mandate Limit"), representing 10% of the issued shares of the Company as at the date of the AGM. For further details on the Refreshed Scheme Mandate Limit please refer to the Company's announcement dated 10 June 2020.

Set out below are the details of the movements of share options granted and accepted under the Share Option Scheme during the six months ended 30 June 2020:

Name of grantee	Date of grant	Exercise price per share (HK\$)	Number of options					Weighted average closing price of shares immediately before the dates of exercise (HK\$)	
			Outstanding as at 1 January 2020	Granted and accepted during the period	Exercised during the period	Cancelled/ lapsed during the period	Outstanding as at 30 June 2020		
<b>Directors</b>									
Li Zhong	13/11/2019	0.76	10,000,000	-	(10,000,000)	-	-	13/11/2019-13/5/2020	0.81
Liu Yujie	13/11/2019	0.76	10,000,000	-	(10,000,000)	-	-	13/11/2019-13/5/2020	0.79
Duan, Jerry Linnan (Chief Executive Officer)	13/11/2019	0.76	10,000,000	-	(10,000,000)	-	-	13/11/2019-13/5/2020	0.82
Chau Kam Wing	13/11/2019	0.76	2,000,000	-	(2,000,000)	-	-	13/11/2019-13/5/2020	0.78
Chang Qing	13/11/2019	0.76	2,000,000	-	(2,000,000)	-	-	13/11/2019-13/5/2020	0.77
Peng Yongzhen	13/11/2019	0.76	2,000,000	-	(2,000,000)	-	-	13/11/2019-13/5/2020	0.81
<b>Employees under continuous contract</b>									
Zhou Wei (Chief Financial Officer)	13/11/2019	0.76	6,000,000	-	(6,000,000)	-	-	13/11/2019-13/5/2020	0.82
Other employees	13/11/2019	0.76	53,400,000	-	(49,250,000)	(4,150,000)	-	13/11/2019-13/5/2020	0.82
Subtotal			59,400,000	-	(55,250,000)	(4,150,000)	-		
<b>Other participants</b>	13/11/2019	0.76	18,100,000	-	(16,100,000)	(2,000,000)	-	13/11/2019-13/5/2020	0.82
<b>Total</b>			113,500,000	-	(107,350,000)	(6,150,000)	-		

Note: The closing price immediately before the date on which the share options were granted was HK\$0.75.

## OTHER INFORMATION

During the six months ended 30 June 2020, 107,350,000 share options were exercised at the exercise price of HK\$0.76 per share, resulting in the issue of 107,350,000 ordinary shares of HK\$0.01 each of the Company for a total cash consideration of HK\$81,586,000. The premium received was credited to the share premium account. During the six months ended 30 June 2020, 6,150,000 share options had lapsed. As at 30 June 2020, no share option was outstanding under the Share Option Scheme.

### AUDIT COMMITTEE AND REVIEW OF THE INTERIM RESULTS

The Company has established the Audit Committee to assist the Board in providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems, overseeing the audit process and performing other duties and responsibilities as assigned by the Board. As at 30 June 2020, the Audit Committee consisted of three independent non-executive Directors, being Mr. Chau Kam Wing (chairman), Mr. Chang Qing, and Mr. Peng Yongzhen.

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2020. The Audit Committee has also discussed matters with respect to the accounting policies, the practices adopted by the Company and the internal control with senior management members of the Company.

The unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2020 has also been reviewed by the Company's auditor, Ernst & Young, in accordance with International Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the International Auditing and Assurance Standards Board.

### REMUNERATION COMMITTEE

The Company has established the Remuneration Committee to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objects and make recommendations to the Board on the remuneration package of individual executive Directors and senior management. As at 30 June 2020, the Remuneration Committee consisted of three members, namely Mr. Peng Yongzhen (chairman), Mr. Zhao Juanxian (alias, Zhao Junxian) and Mr. Chau Kam Wing.

### NOMINATION COMMITTEE

The Company has established the Nomination Committee to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the chief executive. As at 30 June 2020, the Nomination Committee consisted of five members, comprising Mr. Chau Kam Wing (chairman), Mr. Zhao Juanxian (alias, Zhao Junxian), Mr. Li Zhong, Mr. Peng Yongzhen and Mr. Chang Qing.

The Board had adopted a board diversity policy aiming to set out the approach to achieve the diversity of members of the Board to enhance the effectiveness of the Board. The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates of Board members will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

## OTHER INFORMATION

Directors are continually updated on the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development for Directors will be arranged where necessary. Individual Directors also participated in the courses relating to the roles, functions and duties of a listed company director or further enhancement of their professional development by way of attending training courses or via online aids or reading relevant materials.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 of the Listing Rules as a code of conduct regarding the Directors’ dealings in the Company’s securities.

The Company has made specific enquiry to all of the Directors and all of the Directors have confirmed that they have complied with the required standards as set out in the Model Code during the six months ended 30 June 2020.

### PURCHASE, SALE AND REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

### PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement has been published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.kangdaep.com](http://www.kangdaep.com). This interim report of the Group for the six months ended 30 June 2020 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Company’s shareholders in due course.

By order of the Board  
**Kangda International Environmental Company Limited**  
**Li Zhong**  
*Co-Chairman*

Hong Kong, 27 August 2020

# INDEPENDENT REVIEW REPORT



Ernst & Young  
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**To the board of directors of Kangda International Environmental Company Limited**

*(Incorporated in the Cayman Islands with limited liability)*

## INTRODUCTION

We have reviewed the interim financial information set out on pages 24 to 56, which comprises the condensed consolidated statement of financial position of Kangda International Environmental Company Limited (the "Company") and its subsidiaries (the "Group") as at 30 June 2020 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six months period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by International Auditing and Assurance Standards Board. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

**Ernst & Young**  
*Certified Public Accountants*  
Hong Kong

27 August 2020

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>REVENUE</b>	4	<b>1,729,806</b>	1,412,568
Cost of sales		<b>(1,090,464)</b>	(817,303)
Gross profit		<b>639,342</b>	595,265
Other income and gains	5	<b>71,623</b>	68,214
Selling and distribution expenses		<b>(1,712)</b>	(3,388)
Administrative expenses		<b>(97,133)</b>	(120,267)
Other expenses		<b>(10,530)</b>	(2,593)
Finance costs	7	<b>(289,604)</b>	(273,681)
Share of profits and losses of:			
Associates		<b>(3,676)</b>	(3,999)
Joint ventures		<b>(1,599)</b>	1,372
<b>PROFIT BEFORE TAX</b>	6	<b>306,711</b>	260,923
Income tax expense	8	<b>(74,345)</b>	(71,987)
<b>PROFIT FOR THE PERIOD</b>		<b>232,366</b>	188,936
Profit attributable to:			
Owners of the parent		<b>225,218</b>	183,595
Non-controlling interests		<b>7,148</b>	5,341
		<b>232,366</b>	188,936
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
— Basic and diluted	9	<b>RMB 10.93 cents</b>	RMB 8.98 cents
<b>OTHER COMPREHENSIVE EXPENSE</b>			
Other comprehensive expense that will not be reclassified to profit or loss in subsequent periods, net of tax:			
Fair value loss on equity investments designated at fair value through other comprehensive income		<b>—</b>	(112,200)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>232,366</b>	76,736
Total comprehensive income attributable to:			
Owners of the parent		<b>225,218</b>	71,395
Non-controlling interests		<b>7,148</b>	5,341
		<b>232,366</b>	76,736

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	128,763	134,672
Investment properties		9,476	9,827
Investments in associates		374,568	378,243
Investment in joint ventures		87,321	88,920
Equity investments designated at fair value through other comprehensive income		363,000	363,000
Service concession intangible assets		990,343	802,417
Other intangible assets		3,110	3,268
Contract assets		2,216,068	2,027,135
Goodwill		60,219	60,219
Financial receivables	11	7,839,452	7,513,981
Deferred tax assets		98,873	90,629
Right-of-use assets		1,699	3,261
Prepayments, other receivables and other assets		237,542	231,502
Total non-current assets		12,410,434	11,707,074
<b>CURRENT ASSETS</b>			
Inventories		13,640	13,530
Contract assets		255,582	222,236
Financial receivables	11	1,668,597	1,643,994
Trade and bills receivables	12	1,437,272	1,363,602
Prepayments, other receivables and other assets		601,989	608,392
Pledged deposits		128,648	163,167
Other current financial assets		165,805	750,824
Cash and cash equivalents		822,168	225,672
Total current assets		5,093,701	4,991,417
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	13	1,905,430	1,779,354
Other payables and accruals		212,414	342,121
Deferred income		1,260	–
Interest-bearing bank and other borrowings	14	2,909,971	3,222,399
Corporate bonds		314,860	907,423
Tax payable		27,271	30,829
Total current liabilities		5,371,206	6,282,126
<b>NET CURRENT LIABILITIES</b>		<b>(277,505)</b>	<b>(1,290,709)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>12,132,929</b>	<b>10,416,365</b>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
<b>NON-CURRENT LIABILITIES</b>			
Trade payables	13	3,702	3,624
Interest-bearing bank and other borrowings	14	6,047,468	4,410,206
Corporate bonds		264,803	569,366
Deferred income		1,890	–
Other payables and accruals		19,743	18,447
Deferred tax liabilities		894,551	820,570
Total non-current liabilities		7,232,157	5,822,213
Net assets		4,900,772	4,594,152
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Issued capital		17,125	16,143
Reserves		4,677,900	4,378,959
		4,695,025	4,395,102
Non-controlling interests		205,747	199,050
Total equity		4,900,772	4,594,152

**Li Zhong**  
Director

**Duan Jerry Linnan**  
Director

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the parent									
	Issued capital RMB'000 (Unaudited)	Share premium RMB'000 (Unaudited)	Merger reserve RMB'000 (Unaudited)	Special reserve RMB'000 (Unaudited)	Share option reserve RMB'000 (Unaudited)	Equity investments designated at fair value through other comprehensive income revaluation reserve RMB'000 (Unaudited)	Retained profits RMB'000 (Unaudited)	Total RMB'000 (Unaudited)	Non-controlling interests RMB'000 (Unaudited)	Total equity RMB'000 (Unaudited)
As at 1 January 2019 (audited)	16,143	1,643,661	376,899	-	56,395	(12,750)	2,034,305	4,114,653	207,020	4,321,673
Profit for the period	-	-	-	-	-	-	183,595	183,595	5,341	188,936
Other comprehensive income for the period:										
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	-	(112,200)	-	(112,200)	-	(112,200)
Total comprehensive expenses for the period	-	-	-	-	-	(112,200)	183,595	71,395	5,341	76,736
Capital contribution from a non-controlling shareholder	-	-	-	-	-	-	-	-	5,000	5,000
Acquisition of non-controlling interests	-	-	1,523	-	-	-	-	1,523	(5,563)	(4,040)
Transfer to special reserve (c)	-	-	-	10,201	-	-	(10,201)	-	-	-
Utilisation of special reserve (c)	-	-	-	(10,201)	-	-	10,201	-	-	-
As at 30 June 2019 (unaudited)	16,143	1,643,661*	378,422*	-*	56,395*	(124,950)*	2,217,900*	4,187,571	211,798	4,399,369
As at 31 December 2019 (audited)	16,143	1,643,661	378,422	-	65,553	(119,850)	2,411,173	4,395,102	199,050	4,594,152
Profit for the period	-	-	-	-	-	-	225,218	225,218	7,148	232,366
Total comprehensive expenses for the period	-	-	-	-	-	-	225,218	225,218	7,148	232,366
Exercise of share options (a)	982	73,723	-	-	-	-	-	74,705	-	74,705
Capital contribution from a non-controlling shareholder	-	-	-	-	-	-	-	-	217	217
Disposal of a subsidiary (b)	-	-	-	-	-	-	-	-	(668)	(668)
Transfer to special reserve (c)	-	-	-	13,783	-	-	(13,783)	-	-	-
Utilisation of special reserve (c)	-	-	-	(13,783)	-	-	13,783	-	-	-
As at 30 June 2020 (unaudited)	17,125	1,717,384*	378,422*	-*	65,553*	(119,850)*	2,636,391*	4,695,025	205,747	4,900,772

\* These reserve accounts comprise the consolidated reserves of RMB4,677,900,000 (30 June 2019: RMB4,171,428,000) in the consolidated statement of financial position.

Notes:

- During the six months ended 30 June 2020, the subscription rights attaching to 107,350,000 share options issued pursuant to the share option scheme of the Company were exercised at the exercise price of HK\$0.76 per share, resulting in the issue of 107,350,000 shares of HK\$0.01 each for a total cash consideration of HK\$81,586,000, approximately RMB74,705,000. The premium of RMB73,723,000 was credited to the share premium account.
- In 2020, Chongqing Kangda Environmental Protection Industry (Group) Co., Ltd., an indirectly wholly-owned subsidiary of the Company, disposed of its entire 70% interests in Guangdong Kangda Ecological Environmental Protection Industry Development Co., Ltd., which resulted in derecognition of non-controlling interests of RMB668,000.
- From 14 February 2012, the Group provided for and utilised the safety production expense fund according to the Circular on Printing and Distributing the Management Measures on the Enterprises Production Safety Expense of Enterprises Appropriation and Utilisation (2012 No.16) issued by the Ministry of Finance and the State Administration of Work Safety of People's Republic of China.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		306,711	260,923
Adjustments for:			
Finance costs	7	289,604	273,681
Foreign exchange differences		887	139
Share of profit and loss of associates and joint ventures		5,275	2,627
Bank interest income	5	(2,923)	(2,665)
Interest income from loans to third parties	5	(9,035)	(11,478)
Interest income from loans to an associate and joint ventures	5	(410)	(3,622)
Investment income	5	(26,088)	(17,420)
Dividend income from equity investments designated at fair value through other comprehensive income	5	–	(9,143)
Depreciation of property, plant and equipment	6	5,169	5,625
Depreciation of investment properties	6	351	346
Depreciation of right-of-use assets	6	1,562	1,562
Amortisation of service concession intangible assets	6	26,506	22,379
Amortisation of other intangible assets	6	157	157
Loss/(gains) on disposal of a subsidiary	5/6	708	(1,595)
Loss on disposal of items of property, plant and equipment, net		–	72
Impairment of trade receivables and other receivables	6	8,482	1,209
		<b>606,956</b>	<b>522,797</b>
Increase in inventories		(110)	(365)
Increase in financial receivables		(350,074)	(185,372)
Increase in contract assets		(325,930)	(384,585)
Increase in trade and bills receivables		(84,289)	(89,071)
Decrease in prepayments, other receivables and other assets		15,967	25,930
Increase/(decrease) in trade and bills payables		123,654	(41,928)
(Decrease)/increase in other payables and accruals		(12,826)	9,148
Increase in contract liabilities		–	304
Increase in deferred income		3,150	12,314
Cash used in operating activities		(23,502)	(130,828)
Interest received		2,898	2,514
Income taxes paid		(12,166)	(30,865)
Net cash flows used in operating activities		<b>(32,770)</b>	<b>(159,179)</b>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Notes	For the six months ended	
		2020	2019
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of items of property, plant and equipment		(615)	(557)
Additions to service concession intangible assets		(108,281)	(88,227)
Additions of investments in an associate		(691)	(26,710)
Proceeds from disposal of items of property, plant and equipment		298	967
Disposal of other current financial assets		611,107	49,706
Disposal of subsidiaries		847	1,907
Acquisition of subsidiaries, net of cash acquired		(25,500)	(22,000)
Decrease in loans due from third parties included in other receivables		–	6,003
Decrease/(increase) in pledged deposits		34,519	(44,717)
Net cash flows from/(used in) investing activities		511,684	(123,628)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase of bank and other borrowings		3,087,177	1,930,040
Repayment of bank and other borrowings		(1,866,005)	(1,528,762)
Repayment of corporate bonds		(907,997)	(667,997)
Interest paid		(268,210)	(275,854)
Principal portion of lease payments		(1,944)	(1,478)
Acquisition of non-controlling interests		–	(4,040)
Proceeds from exercise of share options		74,705	–
Capital contribution from a non-controlling shareholder		–	5,000
Net cash flows from/(used in) financing activities		117,726	(543,091)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of the period		225,672	976,246
Effect of foreign exchange rate changes, net		(144)	3
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>		<b>822,168</b>	<b>150,351</b>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

## 1. CORPORATE AND GROUP INFORMATION

Kangda International Environmental Company Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 4 July 2014.

The Company is an investment holding company and its subsidiaries are engaged in the design, construction, operation and maintenance of wastewater treatment plants (the "WTPs"), reclaimed water treatment plants (the "RWTPs"), water distribution plants (the "WDPs"), sludge treatment plants (the "STPs") and other municipal infrastructures in the People's Republic of China (the "PRC", or "Mainland China", which excludes for the purpose of this report, the Hong Kong Special Administrative Region of the PRC or Hong Kong, the Macau Special Administrative Region of the PRC or Macau, and Taiwan).

## 2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

### 2.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board and in compliance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

The unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income, which has been measured at fair value and are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand, except when otherwise indicated.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

## 2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES *(continued)*

### 2.1 Basis of preparation *(continued)*

#### Going concern

As at 30 June 2020, the Group's current liabilities exceeded its current assets by approximately RMB277,505,000 (31 December 2019: net current liabilities: RMB1,290,709,000). In addition, the Group has contracted capital commitments of RMB213,818,000 and commitments in respect of service concession arrangements of RMB2,936,372,000. As at the date of approval of these interim condensed consolidated financial statements, the directors of the Company have considered the Group's available sources of funds subsequent to 30 June 2020, which are as follows:

- (i) Additional bank loans and facilities were already obtained during July 2020 and August 2020;
- (ii) Bank loans and facilities expected to be obtained or renewed which the directors of the Company are confident that such loans and facilities will be obtained or continuously renewed upon their respective expirations in the foreseeable future based on the Group's past experience, good credit standing and/or latest communications with the relevant financial institutions;
- (iii) Expected cash inflows arising from the Group's operating activities subsequent to 30 June 2020.

In light of the available funding as mentioned above, and after taking into account the operating performance of the Group and cash flow projection prepared by the directors of the Company. The directors of the Company are confident that the Group will have sufficient working capital to meet with its financial obligations and operation requirements in the foreseeable future of at least up to 30 June 2021. Hence the directors of the Company are of the opinion that it is appropriate to prepare these interim condensed consolidated financial statements under the going concern basis.

### 2.2 Changes to the Group's accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to IFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

## 2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES *(continued)*

### 2.2 Changes to the Group's accounting policies *(continued)*

The nature and impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.
- (c) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group's office buildings have been reduced or waived by the lessors as a result of the Covid-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the Covid-19 pandemic during the period ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2020.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

## 2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES *(continued)*

### 2.2 Changes to the Group's accounting policies *(continued)*

- (d) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

## 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating businesses are structured and managed separately according to their nature. Each of the Group's operating segments represents a strategic business unit that provides services which are subject to risks and returns that are different from those of the other operating segments. Summary details of the operating segments are as follows:

- (a) the segment of Urban Water Treatment engages in the design, construction, upgrade and operation of WTPs, RWTPs, STPs, WDPs, and in the O&M (operation and maintenance of wastewater treatment facilities entrusted by governments);
- (b) the segment of Water Environment Comprehensive Remediation engages in river harnessing and improvement, foul water body treatment, sponge city construction; and
- (c) the segment of Rural Water Improvement engages in the construction and operation related to "the Water Environment Facilities of Beautiful Village" such as: wastewater treatment facilities and pipeline construction for collecting wastewater so as to achieve rural living environment improvement.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on the reportable segment results, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that unallocated income and gains, finance costs as well as corporate and other unallocated expenses are excluded from such measurement.

Segment assets and liabilities mainly comprise operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment assets exclude investment properties, unallocated intangible assets, unallocated deferred tax assets, unallocated prepayments, other receivables and other assets, unallocated pledged deposits, unallocated cash and cash equivalents, and other unallocated head office and corporate assets as these assets are managed on a group basis. Segment liabilities exclude corporate bonds, unallocated other payables and accruals, and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

## 3. OPERATING SEGMENT INFORMATION *(continued)*

For the six months ended 30 June 2020 (Unaudited)	Water Environment			Total RMB'000
	Urban Water Treatment RMB'000	Comprehensive Remediation RMB'000	Rural Water Improvement RMB'000	
<b>Segment revenue</b>				
Sales to external customers	1,521,820	164,117	43,869	1,729,806
	1,521,820	164,117	43,869	1,729,806
<b>Segment results</b>	393,909	23,309	8,157	425,375
<i>Reconciliation:</i>				
Unallocated income and gains				29,923
Share of loss of unallocated associates				(1,157)
Share of loss of an unallocated joint venture				(464)
Corporate and other unallocated expenses				(23,488)
Unallocated lease-related finance costs				(96)
Unallocated finance costs (other than interest on lease liabilities)				(123,382)
Profit before tax for the period				306,711
<b>Other segment information</b>				
Share of loss of associates	–	(2,519)	–	(2,519)
Share of loss of unallocated associates				(1,157)
Share of loss of joint ventures	(1,135)	–	–	(1,135)
Share of loss of an unallocated joint venture				(464)
Depreciation and amortisation	29,555	66	257	29,878
Unallocated depreciation and amortisation				3,867
Total depreciation and amortisation				33,745

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

## 3. OPERATING SEGMENT INFORMATION *(continued)*

At 30 June 2020 (Unaudited)	Water Environment			Total RMB'000
	Urban Water Treatment RMB'000	Comprehensive Remediation RMB'000	Rural Water Improvement RMB'000	
<b>Segment assets</b>	14,103,582	1,411,218	668,670	16,183,470
<i>Reconciliation:</i>				
Corporate and other unallocated assets				1,320,665
Total assets				17,504,135
<b>Segment liabilities</b>	10,902,103	551,190	527,051	11,980,344
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				623,019
Total liabilities				12,603,363
<b>Other segment information</b>				
Investments in associates	–	229,681	–	229,681
Unallocated investments in associates				144,887
Investment in a joint venture	73,977	–	–	73,977
Unallocated investment in a joint venture				13,344
Capital expenditure	68,097	14	43,273	111,384
Unallocated amounts				12
Total capital expenditure*				111,396

\* Capital expenditure consists of additions to property, plant and equipment and intangible assets during the six months ended 30 June 2020.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

## 3. OPERATING SEGMENT INFORMATION *(continued)*

For the six months ended 30 June 2019 (Unaudited)	Urban Water Treatment RMB'000	Water Environment Comprehensive Remediation RMB'000	Rural Water Improvement RMB'000	Total RMB'000
<b>Segment revenue</b>				
Sales to external customers	1,304,366	75,344	32,858	1,412,568
	1,304,366	75,344	32,858	1,412,568
<b>Segment results</b>	360,487	62,349	5,883	428,719
<i>Reconciliation:</i>				
Unallocated income and gains				37,716
Share of loss of unallocated associates				(4,702)
Share of profit of an unallocated joint venture				156
Corporate and other unallocated expenses				(36,121)
Unallocated lease-related finance costs				(155)
Unallocated finance costs (other than interest on lease liabilities)				(164,690)
Profit before tax for the period				260,923
<b>Other segment information</b>				
Share of profit of associates	–	703	–	703
Share of loss of unallocated associates				(4,702)
Share of profit and loss of joint ventures	(544)	1,760	–	1,216
Share of profit of an unallocated joint venture				156
Depreciation and amortisation	25,597	513	–	26,110
Unallocated depreciation and amortisation				3,959
Total depreciation and amortisation				30,069

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

## 3. OPERATING SEGMENT INFORMATION *(continued)*

At 31 December 2019 (Audited)	Urban Water Treatment RMB'000	Water Environment Comprehensive Remediation RMB'000	Rural Water Improvement RMB'000	Total RMB'000
<b>Segment assets</b>	12,986,436	1,401,913	653,280	15,041,629
<i>Reconciliation:</i>				
Corporate and other unallocated assets				1,656,862
Total assets				16,698,491
<b>Segment liabilities</b>	9,383,169	567,000	542,412	10,492,581
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				1,611,758
Total liabilities				12,104,339
<b>Other segment information</b>				
Investments in associates	–	232,200	–	232,200
Unallocated investments in associates				146,043
Investment in a joint venture	75,112	–	–	75,112
Unallocated investment in a joint venture				13,808
Capital expenditure	209,513	–	32,858	242,371
Unallocated amounts				24
Total capital expenditure*				242,395

\* Capital expenditure consists of additions to property, plant and equipment and intangible assets during the six months ended 30 June 2019.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

## 4. REVENUE

Revenue represents: (1) an appropriate proportion of contract revenue of construction contracts under Build-Operate-Transfer (the "BOT") arrangements, Engineering Procurement Construction (the "EPC") arrangements and other construction service projects, net of tax and government surcharges; (2) the revenue from operation of WTPs, RWTPs, WDPs, STPs or other municipal infrastructures under BOT arrangements, Transfer-Operate-Transfer (the "TOT") arrangements, and the provision of Operation and Maintenance services; and (3) financial income on financial receivables. The amount of each significant category of revenue during the six months ended 30 June 2020 is as follows:

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue from construction services	918,459	679,773
Revenue from operating services	490,489	433,714
Financial income	320,858	299,081
	<b>1,729,806</b>	1,412,568

Revenue from construction services, operating services of wastewater treatment, reclaimed water treatment, water distribution and sludge treatment and financial income are recognised over time. For sales of water purifying material in operating services, revenue is recognised at a point in time.

The aggregated revenue from construction services, operating services and financial income derived in mainland China amounted to RMB1,729,806,000 and RMB1,412,568,000 for the six months ended 30 June 2020 and 2019, respectively.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

## 5. OTHER INCOME AND GAINS

	For the six months ended	
	30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government grants (note a)	32,267	21,539
Investment income	26,088	17,420
Interest income from loans to third parties	9,035	11,478
Bank interest income	2,923	2,665
Interest income from loans to an associate and joint ventures	410	3,622
Rental income less depreciation of investment properties	132	259
Dividend income from equity investments designated at fair value through other comprehensive income	–	9,143
Gain on disposal of a subsidiary	–	1,595
Others	768	493
	<b>71,623</b>	<b>68,214</b>

Note:

- (a) Government grants primarily represented the value-added tax refund and the environmental protection funds for environmental technological improvements granted by government authorities. Certain environmental protection funds related to the upgrading of WTPs granted by government authorities are recognised as deferred income that is recognised in profit or loss on a systematic basis over the expected upgrade interval cycle. There are no unfulfilled conditions or contingencies relating to other government grants.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

## 6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Cost for construction services	770,356	527,258
Cost for operation services	320,108	290,045
<b>Total of cost of sales</b>	<b>1,090,464</b>	817,303
Depreciation of property, plant and equipment	5,169	5,625
Depreciation of investment properties	351	346
Depreciation of right-of-use assets	1,562	1,562
Amortisation of service concession intangible assets	26,506	22,379
Amortisation of other intangible assets	157	157
Interest expense on lease liabilities	96	155
Impairment of trade receivables and other receivables	8,482	1,209
Auditor's remuneration	650	650
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages, salaries and allowances, social securities and benefits	104,556	108,134
Pension scheme contributions (defined contribution scheme)	3,187	11,190
<b>Total employee benefit expense</b>	<b>107,743</b>	119,324
Loss on disposal of a subsidiary	708	–

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

## 7. FINANCE COSTS

	For the six months ended	
	30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	236,157	205,492
Interest on corporate bonds	53,351	68,034
Interest on lease liabilities	96	155
	289,604	273,681

## 8. INCOME TAX EXPENSE

Pursuant to The PRC Enterprise Income Tax Law Implementing Regulations (中華人民共和國企業所得稅法實施條例), most of the subsidiaries established in the PRC, engaged in the operations of wastewater treatment projects, are eligible for tax holiday of a three-year full exemption followed by a three-year half exemption commencing from their respective first year of generating operating revenue (the "3+3 Tax Holiday"). As at 30 June 2020, these subsidiaries were already qualified for the 3+3 Tax Holiday or in the process of preparation and submission of the required documents to the respective tax authorities to apply for the 3+3 Tax Holiday.

Pursuant to Caishui [2011] No. 58 Circular of the Ministry of Finance, the State Administration of Taxation, the General Administration of Customs on Issues Relating to Preferential Tax Policies for the Development of the Western Region (財政部、國家稅務總局、海關總署關於西部大開發稅收優惠政策問題的通知), certain subsidiaries operated in the western region of Mainland China were subject to a preferential corporate income tax rate of 15%, provided the main business of the subsidiaries belongs to the industrial projects stipulated in the *Catalogue of Encouraged Industries in the Western Region*, and such main business income accounts for more than 70% of the total income of the subsidiaries.

Under the relevant PRC Enterprise Income Tax Law and respective regulations, except for preferential treatments available to certain subsidiaries as mentioned above, other subsidiaries within the Group were subject to corporate income tax at the statutory rate of 25%.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and British Virgin Islands.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

## 8. INCOME TAX EXPENSE *(continued)*

The major components of income tax expense in the unaudited interim condensed consolidated statements of profit or loss and other comprehensive income are:

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Current income tax		
— Mainland China	8,608	30,204
Deferred income tax	65,737	41,783
Income tax charge for the period	74,345	71,987

## 9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the period.

The diluted earnings per share was calculated by dividing the profit for the six months attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the period.

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Earnings:		
Profit for the period attributable to ordinary equity holders of the parent	225,218	183,595
	Number of Shares	Number of Shares
	30 June 2020 (Unaudited)	30 June 2019 (Unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of the basic earnings per share calculation	2,061,375,000	2,044,676,000

The Company issued 107,350,000 new shares during the six months ended 30 June 2020.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired property, plant and equipment with an aggregate cost amounting to approximately RMB615,000 (six months ended 30 June 2019: RMB557,000).

The property, plant and equipment with a net book value of approximately RMB298,000 were disposed of by the Group during the six months ended 30 June 2020 (six months ended 30 June 2019: RMB1,039,000), resulting in no net loss on disposal (six months ended 30 June 2019: RMB72,000).

## 11. FINANCIAL RECEIVABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Receivables for service concession arrangements	9,508,049	9,157,975
Portion classified as current assets	(1,668,597)	(1,643,994)
Non-current portion	7,839,452	7,513,981

Receivables for service concession arrangements arose from the service concession contracts to build and operate WTPs, WDPs or STPs and were recognised to the extent that the Group has an unconditional contractual right to receive cash from or at the direction of governmental authorities or their designees (the "Grantors").

Financial receivables were unbilled receivables, and were neither past due nor impaired. Financial receivables were mainly due from governmental authorities in Mainland China, as the Grantors in respect of the Group's service concession arrangements. Based on past experience, the Directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

At 30 June 2020, the Group's financial receivables with a carrying value of RMB6,221,437,000 (31 December 2019: RMB5,632,127,000) were pledged to secure certain bank and other borrowings granted to the Group (Note: 14).

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

## 12. TRADE AND BILLS RECEIVABLES

Trade and bills receivables represent the unsettled amounts being billed to the customers in accordance with the terms specified in the contracts governing the relevant transactions. The Group does not have a standardised and universal credit period granted to the construction service customers. The credit period of individual construction service customer is considered on a case-by-case basis. Trade receivables are non-interest-bearing.

An ageing analysis of the Group's trade and bills receivables, based on the invoice date or billing date and net of provision for impairment of trade receivables, at the end of the reporting period is as follows:

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Within 3 months	480,490	502,100
4 to 6 months	150,397	131,001
7 to 12 months	190,587	149,550
Over 12 months	615,798	579,951
	<b>1,437,272</b>	1,362,602

## 13. TRADE AND BILLS PAYABLES

Trade and bills payables are non-interest-bearing. The credit periods granted by each individual supplier are on a case-by-case basis and set out in the supplier contracts. An ageing analysis of the Group's trade and bills payables at the end of each reporting period is as follows:

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Within 3 months	371,721	474,841
4 to 6 months	720,926	230,818
7 to 12 months	456,020	413,261
Over 12 months	360,465	664,058
	<b>1,909,132</b>	1,782,978

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

## 14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2020			31 December 2019		
	Effective interest rate (%)	Maturity	RMB'000 (Unaudited)	Effective interest rate (%)	Maturity	RMB'000 (Audited)
<b>Current</b>						
Bank loans — unsecured	4.80–6.10	2021	155,241	4.87–8.00	2020	285,000
Bank loans — secured	3.76–7.00	2021	1,784,357	3.92–8.47	2020	1,964,975
Current portion of long term bank loans — secured	4.90–6.56	2021	652,426	4.75–6.56	2020	725,118
Current portion of long term other loans — secured	4.50–9.90	2021	292,256	5.78–9.90	2020	241,318
Current portion of long term other loans — unsecured	7.00	2021	25,294	–	–	–
Current portion of lease liabilities	4.91	2021	397	4.91	2020	1,988
Other loans — unsecured	–	–	–	4.15	2020	4,000
			<b>2,909,971</b>			<b>3,222,399</b>
<b>Non-current</b>						
Long term other loans — unsecured	1.20–7.50	2022–2026	390,000	1.20–7.50	2021–2026	236,105
Long term other loans — secured	2.80–9.90	2022–2026	1,252,082	2.80–9.90	2021–2026	887,959
Long term bank loans — secured	4.90–6.65	2022–2045	4,403,783	4.75–6.56	2021–2045	3,284,192
Long term lease liabilities	4.91	2022–2039	1,603	4.91	2021–2039	1,950
			<b>6,047,468</b>			<b>4,410,206</b>
			<b>8,957,439</b>			<b>7,632,605</b>
Interest-bearing bank and other borrowings denominated in						
— RMB			8,888,280			7,564,099
— Hong Kong dollars			38,821			38,071
— United States dollars			30,338			30,435
			<b>8,957,439</b>			<b>7,632,605</b>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

## 14. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

The above secured bank and other borrowings are secured by certain assets with carrying values as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Property, plant and equipment	16,361	17,274
Financial receivables (note 11)	6,221,437	5,632,127
Trade and bills receivables	798,948	564,642
Pledged deposits	8,100	8,100
Service concession intangible assets	1,061,011	504,100
Contract assets	1,119,743	966,725

The Group's borrowings of RMB2,184,234,000 (31 December 2019: RMB2,161,298,000) were guaranteed by the investments in certain subsidiaries.

The Group's borrowings of RMB1,795,992,000 (31 December 2019: RMB1,967,485,000) were guaranteed by the second largest shareholder (note 19).

## 15. DIVIDEND

The board of directors does not recommend payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

## 16. OPERATING LEASE ARRANGEMENTS

### As lessor

The Group leases its investment properties under operating lease arrangements, with terms ranging from one to five years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 30 June 2020 and 31 December 2019, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within one year	535	538
In the second to fifth years, inclusive	1,149	–
	1,684	538

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

## 17. CONTINGENT LIABILITIES

As at 30 June 2020 the Group did not have any significant contingent liabilities (31 December 2019: Nil).

## 18. COMMITMENTS

The Group had the following commitments:

### (a) Capital commitments

The Group had the following capital commitments at the end of each reporting period:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Contracted, but not provided for:	213,818	235,333

### (b) The Group had the following commitments with respect of service concession arrangements at the end of each reporting period:

#### Group

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Contracted, but not provided for:	2,936,372	3,638,436

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

## 19. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in the financial statements, the Group had the following material transactions with related parties during the period:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Certain expenses of the Group paid by a subsidiary of a shareholder: Shanghai Silver Dragon* (i)	–	691
Certain expenses of the Group paid by an associate: Zhongyuan Shuiwu	14,706	8,359
Certain loans of the Group borrowed from an associate: Zhongyuan Shuiwu	20,691	49,157
Certain expenses paid by the Group for non-controlling shareholders of: Xinzhongzhou Water and Xinzheng Xinkang Jiaoling Kangda	500 216	1,000 464
Services provided to associates and a joint venture: Zhongyuan Shuiwu Leping Hehu Fuzhou Fuhe Gaomi Kangrui	31,869 29,141 70,936 434	34,718 – 123,326 915
Services provided by an associate: Eastern Sludge Treatment	300	24,684
Services provided by a subsidiary of a shareholder: Silver Dragon Shuihuanjing* (ii)	44,817	–
Services provided by a non-controlling shareholder of: Jiaoling Kangda	–	1,040

\* (i) Shanghai Silver Dragon Equity Investment Co., Ltd. (上海銀龍股權投資有限公司) ("Shanghai Silver Dragon") is a subsidiary of the largest shareholder of the Group.

\* (ii) Jiangxi Silver Dragon Water Environment Construction Co., Ltd. (江西銀龍水環境建設有限責任公司) ("Silver Dragon Shuihuanjing") is a subsidiary of the largest shareholder of the Group.

These related party transactions also constitute connected transactions as defined in Chapter 14A of the Listing Rules.

The Group is contractually authorised to use a piece of land which is legally owned by the non-controlling shareholder of Jilin Kangda without charge, and such use also constitutes a related party transaction during the year. Meanwhile, the Group is also authorised to use certain infrastructure without charge which is legally owned and provided by the non-controlling shareholder of Xinzhongzhou Water.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

## 19. RELATED PARTY TRANSACTIONS *(continued)*

### (a) *(continued)*

The Group's borrowings of RMB1,795,992,000 (31 December 2019: RMB1,967,485,000) were guaranteed by the second largest shareholder (note 14).

The above related party transactions were conducted in accordance with the terms mutually agreed between the parties.

### (b) Outstanding balances with related parties

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Amounts due to non-controlling shareholders of:		
Pingdingshan City Bay	50,337	50,337
Jilin Kangda	11,000	11,000
Huizhou Kangda	3,943	15,344
Xinzhongzhou Water and Xinzheng Xinkang	2,510	2,510
Jiaoling Kangda	–	1,040
Amounts due to associates:		
Eastern Sludge Treatment	9,622	9,723
Zhongyuan Shuiwu	5,513	57,516
Amounts due to the subsidiaries of a shareholder:		
Silver Dragon Shuihuanjing	39,817	–
Shanghai Silver Dragon	–	691
Amounts due from non-controlling shareholders of:		
Xinzhongzhou Water and Xinzheng Xinkang	17,594	17,094
Pingdingshan City Bay	10,649	10,649
Weihai Kangda	43	43
Jiaoling Kangda	1,186	970
Amounts due from associates:		
Zhongyuan Shuiwu	100,837	203,889
Fuzhou Fuhe	75,225	81,972
Leping Hehu	3,224	19,272
Amounts due from joint ventures:		
Tianqiyuan	22,575	22,575
Gaomi Kangrui	16,899	16,465

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

## 19. RELATED PARTY TRANSACTIONS *(continued)*

### (c) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Short term employee benefits	874	1,513
Post-employment benefits	–	5
<b>Total compensation paid to key management personnel</b>	<b>874</b>	<b>1,518</b>

## 20. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

### 30 June 2020

#### Financial assets

	Financial assets at fair value through other comprehensive income RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	363,000	–	363,000
Financial receivables	–	9,508,049	9,508,049
Trade and bills receivables	–	1,437,272	1,437,272
Financial assets included in prepayments, other receivables and other assets	–	705,061	705,061
Pledged deposits	–	128,648	128,648
Cash and cash equivalents	–	822,168	822,168
Other current financial assets	–	165,805	165,805
	<b>363,000</b>	<b>12,767,003</b>	<b>13,130,003</b>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

## 20. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

**30 June 2020** *(continued)*

### Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	1,909,132
Financial liabilities included in other payables and accruals	196,053
Interest-bearing bank and other borrowings (other than lease liabilities)	8,955,439
Corporate bonds	579,663
	<b>11,640,287</b>

**31 December 2019**

### Financial assets

	Financial assets at fair value through other comprehensive income RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	363,000	–	363,000
Financial receivables	–	9,157,975	9,157,975
Trade and bills receivables	–	1,363,602	1,363,602
Financial assets included in prepayments, other receivables and other assets	–	712,760	712,760
Pledged deposits	–	163,167	163,167
Cash and cash equivalents	–	225,672	225,672
Other current financial assets	–	750,824	750,824
	<b>363,000</b>	<b>12,374,000</b>	<b>12,737,000</b>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

## 20. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

### 31 December 2019 *(continued)*

#### Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	1,782,978
Financial liabilities included in other payables and accruals	328,742
Interest-bearing bank and other borrowings (other than lease liabilities)	7,628,667
Corporate bonds	1,476,789
	11,217,176

## 21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values are as follows:

	Carrying amounts		Fair values	
	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Financial assets:				
Equity investments designated at fair value through other comprehensive income	363,000	363,000	363,000	363,000
Prepayments, other receivables and other assets, non-current portion	211,067	211,423	213,241	214,333
Financial receivables, non-current portion	7,839,452	7,513,981	7,841,780	7,569,810
Other current financial assets	165,805	750,824	165,805	750,824
	8,579,324	8,839,228	8,583,826	8,897,967
Financial liabilities:				
Trade and bills payables, non-current portion	3,702	3,624	3,532	3,458
Interest-bearing bank and other borrowings (other than lease liabilities), non-current portion	6,045,865	4,408,256	6,132,681	4,621,837
Non-current corporate bonds	264,803	569,366	264,803	569,366
	6,314,370	4,981,246	6,401,016	5,194,661

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

## 21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

*(continued)*

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, the current portion of financial receivables, the current portion of trade and bills payables, the current portion of financial assets included in prepayments, other receivables and other assets, the current portion of financial liabilities included in other payables and accruals, the current portion of interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values of those financial assets and liabilities measured at fair value:

The fair values of the non-current portion of financial receivables, prepayments, other receivables and other assets, trade and bills payables, interest-bearing bank and other borrowings, and corporate bonds have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risks for trade and bills payables, interest-bearing bank and other borrowings, and corporate bonds as at the end of the period were assessed to be insignificant.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

## 21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

#### Assets measured at fair value:

As at 30 June 2020

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Equity investments designated at fair value through other comprehensive income	–	363,000	–	363,000

As at 31 December 2019

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Equity investments designated at fair value through other comprehensive income	–	363,000	–	363,000

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

## 21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

### Fair value hierarchy (continued)

Assets for which fair values are disclosed:

As at 30 June 2020

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Prepayments, other receivables and other assets, non-current portion	–	213,241	–	213,241
Financial receivables, non-current portion	–	7,841,780	–	7,841,780
Other current financial assets	–	165,805	–	165,805
	–	8,220,826	–	8,220,826

As at 31 December 2019

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Prepayments, other receivables and other assets, non-current portion	–	214,333	–	214,333
Financial receivables, non-current portion	–	7,569,810	–	7,569,810
Other current financial assets	–	750,824	–	750,824
	–	8,534,967	–	8,534,967

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

## 21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

### Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

As at 30 June 2020

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Trade and bills payables, non-current portion	–	3,532	–	3,532
Interest-bearing bank and other borrowings (other than lease liabilities), non-current portion	–	6,132,681	–	6,132,681
Non-current corporate bonds	–	264,803	–	264,803
	–	6,401,016	–	6,401,016

As at 31 December 2019

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Trade and bills payables, non-current portion	–	3,458	–	3,458
Interest-bearing bank and other borrowings (other than lease liabilities), non-current portion	–	4,621,837	–	4,621,837
Non-current corporate bonds	–	569,366	–	569,366
	–	5,194,661	–	5,194,661

## 22. SUBSEQUENT EVENTS

No significant events took place subsequent to 30 June 2020.

## 23. APPROVAL OF ISSUANCE OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were authorised for issue by the board of directors on 27 August 2020.