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**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 RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

**HIGHLIGHTS**

- Revenue was approximately RMB1,475.5 million, representing a decrease of approximately 15% over the corresponding period last year owing to the decrease in revenue from construction services.
- Gross profit was RMB675.4 million, representing an increase of approximately 6% over the corresponding period last year. Gross profit margin was approximately 46%, representing a sharp increase of 9 percentage points over the corresponding period last year contributed by the increase in the portion of revenue from operating services and financial income.
- Earnings before interest, taxes, depreciation and amortization was RMB632.8 million, slightly increased from RMB630.1 million of the corresponding period last year.
- Profit attributable to owners of the parent was RMB236.8 million, representing an increase of approximately 5% over the corresponding period last year.
- Basic and diluted earnings per share attributable to ordinary equity holders of the parent was RMB11.07 cents, representing an increase of approximately 1% as compared with RMB10.93 cents over the corresponding period last year.
- The Board did not recommend the payment of interim dividend for the six months ended 30 June 2021.

The board (the “Board”) of directors (the “Directors”) of Kangda International Environmental Company Limited (the “Company”) is pleased to announce the unaudited interim condensed consolidated financial results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2021 (the “Reporting Period”) together with the comparative figures for the corresponding period in 2020 and the relevant explanatory notes as set out below.

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

*For the six months ended 30 June 2021*

	<i>Notes</i>	<b>For the six months ended 30 June</b>	
		<b>2021</b>	<b>2020</b>
		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>REVENUE</b>	4	<b>1,475,467</b>	1,729,806
Cost of sales		<b>(800,093)</b>	(1,090,464)
Gross profit		<b>675,374</b>	639,342
Other income and gains	5	<b>78,127</b>	71,623
Selling and distribution expenses		<b>(592)</b>	(1,712)
Administrative expenses		<b>(111,779)</b>	(97,133)
Other expenses		<b>(42,008)</b>	(10,530)
Finance costs	6	<b>(283,929)</b>	(289,604)
Share of profits and losses of:			
Associates		<b>(2,104)</b>	(3,676)
Joint ventures		<b>(903)</b>	(1,599)
<b>PROFIT BEFORE TAX</b>	7	<b>312,186</b>	306,711
Income tax expense	8	<b>(72,182)</b>	(74,345)
<b>PROFIT FOR THE PERIOD</b>		<b>240,004</b>	232,366
Profit attributable to:			
Owners of the parent		<b>236,770</b>	225,218
Non-controlling interests		<b>3,234</b>	7,148
		<b>240,004</b>	232,366
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
— Basic and diluted	9	<b>RMB 11.07 cents</b>	RMB 10.93 cents

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF  
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)**

*For the six months ended 30 June 2021*

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>OTHER COMPREHENSIVE LOSS</b>		
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive loss:		
Changes in fair value	<b>(79,000)</b>	–
Income tax effect	<b>11,850</b>	–
	<u><b>(67,150)</b></u>	–
<b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX</b>	<u><b>(67,150)</b></u>	–
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u><b>172,854</b></u>	<u>232,366</u>
Total comprehensive income attributable to:		
Owners of the parent	<b>169,620</b>	225,218
Non-controlling interests	<b>3,234</b>	7,148
	<u><b>172,854</b></u>	<u>232,366</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*30 June 2021*

		<b>30 June 2021</b>	31 December 2020
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>69,915</b>	119,472
Investment properties		<b>12,532</b>	12,970
Investments in associates		<b>374,939</b>	375,239
Investments in joint ventures		<b>83,256</b>	84,159
Equity investments designated at fair value through other comprehensive income		<b>259,000</b>	338,000
Service concession intangible assets		<b>1,129,059</b>	1,133,188
Other intangible assets		<b>2,719</b>	3,436
Contract assets		<b>1,850,052</b>	2,074,910
Goodwill		<b>58,325</b>	60,219
Financial receivables	<i>10</i>	<b>8,826,654</b>	8,313,899
Deferred tax assets		<b>86,330</b>	81,036
Right-of-use assets		<b>1,860</b>	1,887
Prepayments, other receivables and other assets		<b>172,417</b>	173,457
		<b>12,927,058</b>	12,771,872
<b>TOTAL non-current assets</b>			
<b>CURRENT ASSETS</b>			
Inventories		<b>14,357</b>	14,834
Contract assets		<b>194,062</b>	222,337
Financial receivables	<i>10</i>	<b>1,776,557</b>	1,692,798
Trade and bills receivables	<i>11</i>	<b>1,796,069</b>	1,527,023
Prepayments, other receivables and other assets		<b>625,452</b>	617,705
Pledged deposits		<b>170,712</b>	215,550
Cash and cash equivalents		<b>517,365</b>	430,262
Other current financial assets		<b>98</b>	153,449
		<b>5,094,672</b>	4,873,958
<b>TOTAL current assets</b>			
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	<i>12</i>	<b>1,998,649</b>	2,058,172
Other payables and accruals		<b>255,270</b>	217,116
Deferred income		<b>7,027</b>	1,260
Interest-bearing bank and other borrowings		<b>2,504,922</b>	1,934,372
Corporate bonds		<b>–</b>	327,262
Tax payable		<b>39,626</b>	41,955
		<b>4,805,494</b>	4,580,137
<b>TOTAL current liabilities</b>			
<b>NET CURRENT ASSETS</b>			
		<b>289,178</b>	293,821
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<b>13,216,236</b>	13,065,693

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**(continued)**  
30 June 2021

		<b>30 June</b>	31 December
		<b>2021</b>	2020
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>NON-CURRENT LIABILITIES</b>			
Trade payables	12	<b>62</b>	1,756
Interest-bearing bank and other borrowings		<b>6,948,393</b>	6,754,171
Corporate bonds		–	256,985
Deferred income		<b>5,443</b>	1,260
Other payables and accruals		<b>28,194</b>	23,063
Deferred tax liabilities		<b>959,492</b>	910,260
		<hr/>	<hr/>
Total non-current liabilities		<b>7,941,584</b>	7,947,495
		<hr/> <hr/>	<hr/> <hr/>
Net assets		<b>5,274,652</b>	5,118,198
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital		<b>17,125</b>	17,125
Reserves		<b>5,083,649</b>	4,901,605
		<hr/>	<hr/>
		<b>5,100,774</b>	4,918,730
		<hr/> <hr/>	<hr/> <hr/>
Non-controlling interests		<b>173,878</b>	199,468
		<hr/>	<hr/>
Total equity		<b>5,274,652</b>	5,118,198
		<hr/> <hr/>	<hr/> <hr/>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

## 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 mainland (“Mainland China”) of the People’s Republic of China (the “PRC”).

## 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 2021 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 2020.

The unaudited interim condensed consolidated financial information has 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.

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

### 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 2020, 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 9, IAS 39, IFRS 7,  
IFRS 4 and IFRS 16

*Interest Rate Benchmark Reform — Phase 2*

Amendments to IFRS 16

*COVID-19-Related Rent Concessions beyond  
30 June 2021 (early adopted)*

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

- (a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The Group had certain interest-bearing bank and other borrowings denominated in foreign currencies based on the London Interbank Offered Rate ("LIBOR") as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the "economically equivalent" criterion is met.

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

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

- (b) Amendment to IFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and the amendments did not have any impact on the financial position and performance of the Group as the Group did not get any reduction or waiver of monthly lease payments for any leased assets from the lessors for the six months period ended 30 June 2021.

## **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 operation and maintenance of wastewater treatment facilities entrusted by governments ("O&M");
- (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, right-of-use assets, 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, lease liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

### 3. OPERATING SEGMENT INFORMATION (continued)

For the six months ended 30 June 2021 (Unaudited)	Urban Water Treatment <i>RMB'000</i>	Water Environment Comprehensive Remediation <i>RMB'000</i>	Rural Water Improvement <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Segment revenue</b>				
Sales to external customers	1,350,313	68,021	57,133	1,475,467
	1,350,313	68,021	57,133	1,475,467
<b>Segment results</b>	369,130	27,682	11,448	408,260
<i>Reconciliation:</i>				
Unallocated income and gains				25,403
Share of losses of unallocated associates				(328)
Share of losses of an unallocated joint venture				(830)
Corporate and other unallocated expenses				(17,966)
Unallocated lease-related finance costs				(42)
Unallocated finance costs (other than interest on lease liabilities)				(102,311)
Profit before tax for the period				312,186
<b>Other segment information</b>				
Share of losses of associates	-	(1,776)	-	(1,776)
Share of losses of unallocated associates				(328)
Share of losses of a joint venture	(73)	-	-	(73)
Share of losses of an unallocated joint venture				(830)
Depreciation and amortisation	30,321	63	3,993	34,377
Unallocated depreciation and amortisation				2,355
Total depreciation and amortisation				36,732

### 3. OPERATING SEGMENT INFORMATION (continued)

At 30 June 2021 (Unaudited)	Urban Water Treatment <i>RMB'000</i>	Water Environment Comprehensive Remediation <i>RMB'000</i>	Rural Water Improvement <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Segment assets</b>	15,198,414	1,346,121	692,958	17,237,493
<i>Reconciliation:</i>				
Corporate and other unallocated assets				<u>784,237</u>
Total assets				<u><u>18,021,730</u></u>
<b>Segment liabilities</b>	11,691,267	446,245	478,922	12,616,434
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				<u>130,644</u>
Total liabilities				<u><u>12,747,078</u></u>
<b>Other segment information</b>				
Investments in associates	–	230,815	–	230,815
Unallocated investments in associates				144,124
Investment in a joint venture	72,728	–	–	72,728
Unallocated investment in a joint venture				10,528
Capital expenditure	68,272	–	49,511	117,783
Unallocated amounts				<u>26</u>
Total capital expenditure*				<u><u>117,809</u></u>

\* Capital expenditure consists of additions to property, plant and equipment and intangible assets during the six months ended 30 June 2021.

### 3. OPERATING SEGMENT INFORMATION (continued)

For the six months ended 30 June 2020 (Unaudited)	Urban Water Treatment <i>RMB'000</i>	Water Environment Comprehensive Remediation <i>RMB'000</i>	Rural Water Improvement <i>RMB'000</i>	Total <i>RMB'000</i>
<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 losses of unallocated associates				(1,157)
Share of losses 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 losses of associates	–	(2,519)	–	(2,519)
Share of losses of unallocated associates				(1,157)
Share of losses of joint ventures	(1,135)	–	–	(1,135)
Share of losses 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

### 3. OPERATING SEGMENT INFORMATION (continued)

At 31 December 2020 (Audited)	Urban Water Treatment <i>RMB'000</i>	Water Environment Comprehensive Remediation <i>RMB'000</i>	Rural Water Improvement <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Segment assets</b>	14,467,713	1,391,395	724,220	16,583,328
<i>Reconciliation:</i>				
Corporate and other unallocated assets				<u>1,062,502</u>
Total assets				<u><u>17,645,830</u></u>
<b>Segment liabilities</b>	10,801,996	519,291	531,704	11,852,991
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				<u>674,641</u>
Total liabilities				<u><u>12,527,632</u></u>
<b>Other segment information</b>				
Investments in associates	–	230,787	–	230,787
Unallocated investments in associates				144,452
Investment in a joint venture	72,801	–	–	72,801
Unallocated investment in a joint venture				11,358
Capital expenditure	68,097	14	43,273	111,384
Unallocated amounts				<u>12</u>
Total capital expenditure*				<u><u>111,396</u></u>

\* Capital expenditure consists of additions to property, plant and equipment and intangible assets during the six months ended 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 under service concession arrangements. The amount of each significant category of revenue during the six months ended 30 June 2021 is as follows:

	For the six months ended	
	30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Revenue from contracts with customers</b>		
Revenue from construction services	558,010	918,459
Revenue from operating services	566,551	490,489
Financial income	350,906	320,858
	<u>1,475,467</u>	<u>1,729,806</u>

Revenue from construction services, operating services of waste water treatment, reclaimed water treatment, water distribution and sludge treatment and financial income are recognised over time.

The aggregated revenue from construction services, operating services and financial income derived in Mainland China amounted to RMB1,475,467,000 and RMB1,729,806,000 for the six months ended 30 June 2021 and 2020, respectively.

#### 5. OTHER INCOME AND GAINS

	For the six months ended	
	30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government grants ( <i>note a</i> )	41,076	32,267
Interest income from loans to third parties	11,648	9,035
Gains on disposal of subsidiaries	9,606	–
Investment income	8,624	26,088
Foreign exchange differences, net	3,154	–
Bank interest income	1,872	2,923
Interest income from loans to a joint venture	408	410
Rental income less depreciation of investment properties	225	132
Others	1,514	768
	<u>78,127</u>	<u>71,623</u>

## 5. OTHER INCOME AND GAINS (continued)

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.

## 6. FINANCE COSTS

	For the six months ended	
	30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	259,239	236,157
Interest on corporate bonds	24,648	53,351
Interest on lease liabilities	42	96
	<u>283,929</u>	<u>289,604</u>

## 7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended	
	30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost for construction services	440,639	770,356
Cost for operation services	359,454	320,108
Total of cost of sales	<u>800,093</u>	<u>1,090,464</u>
Depreciation of property, plant and equipment	3,325	5,169
Depreciation of investment properties	438	351
Depreciation of right-of-use assets	142	1,562
Amortisation of service concession intangible assets	32,594	26,506
Amortisation of other intangible assets	233	157
Impairment of financial receivables	367	–
Impairment of contract assets	3	–
Impairment of prepayments, other receivables and other assets	4,670	360
Impairment of trade receivables	15,789	8,122
Impairment of goodwill	1,894	–
(Gains)/losses on disposal of subsidiaries	<u>(9,606)</u>	<u>708</u>

## 8. INCOME TAX EXPENSE

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 2021 (six months ended 30 June 2020: Nil).

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

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Current income tax		
— Mainland China	<b>19,279</b>	8,608
Deferred income tax	<b>52,903</b>	65,737
	<hr/>	<hr/>
Income tax charge for the period	<b>72,182</b>	74,345
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## 9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts 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:

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Earnings:		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	<b>236,770</b>	225,218
	<hr/>	<hr/>
	<b>Number of</b>	<b>Number of</b>
	<b>Shares</b>	<b>Shares</b>
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Shares:		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	<b>2,139,735,000</b>	2,061,375,000
	<hr/> <hr/>	<hr/> <hr/>

## 10. FINANCIAL RECEIVABLES

	<b>30 June 2021</b>	31 December 2020
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Receivables for service concession arrangements	<b>10,605,379</b>	10,008,498
Impairment	<b>(2,168)</b>	(1,801)
	<b>10,603,211</b>	10,006,697
Portion classified as current assets	<b>(1,776,557)</b>	(1,692,798)
	<b>8,826,654</b>	8,313,899
Non-current portion	<b>8,826,654</b>	8,313,899

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, mainly due from governmental authorities in Mainland China, as the Grantors in respect of the Group’s service concession arrangements. The Group does not hold any collateral or other credit enhancements over these balances. Financial receivables represented contract assets as the rights to considerations have yet to be unconditional.

An impairment analysis is performed at each reporting date using a provision matrix. The provision matrix is initially based on the probabilities of default rates which are estimated based on historical observed default rates and published credit ratings of credit bonds issued in Mainland China. The calculation reflects the probability-weighted outcome, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information.

The increase in the loss allowance was due to the significant changes in the gross carrying amount of the receivables for service concession arrangements mainly attributable to the new completed BOT projects.

At 30 June 2021, the Group’s financial receivables with a carrying value of RMB7,591,671,000 (31 December 2020: RMB7,168,543,000) were pledged to secure certain bank and other borrowings granted to the Group.

## 11. 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 as at the end of the reporting period, based on the invoice date or billing date and net of loss allowance, is as follows:

	<b>30 June 2021 RMB'000 (Unaudited)</b>	31 December 2020 RMB'000 (Audited)
Within 3 months	<b>446,883</b>	432,935
4 to 6 months	<b>330,281</b>	245,572
7 to 12 months	<b>367,398</b>	287,593
Over 12 months	<b>651,507</b>	560,923
	<b><u>1,796,069</u></b>	<u>1,527,023</u>

## 12. 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 as at the end of each reporting period is as follows:

	<b>30 June 2021 RMB'000 (Unaudited)</b>	31 December 2020 RMB'000 (Audited)
Within 3 months	<b>568,037</b>	654,033
4 to 6 months	<b>538,912</b>	467,291
7 to 12 months	<b>352,269</b>	424,537
Over 12 months	<b>539,493</b>	514,067
	<b><u>1,998,711</u></b>	<u>2,059,928</u>

## 13. DIVIDEND

The board of directors did not recommend payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY OVERVIEW

In the first half of 2021, economic activities gradually resumed against the backdrop of the recurring pandemic. However, the control and prevention measures have not been relaxed. Production activities and people's lifestyle in society are still different from pre-pandemic normality. Under the current situation, the central government is highly concerned about the healthful development of wastewater treatment industry and intends to tackle the issues of imbalanced and insufficient development in wastewater treatment industry with enhanced utilization rate of wastewater and sludge resources as its major policy to improve water ecological environment quality. One of the major targets for the year 2021 stated in the latest work report published by the central government is to “strengthen pollution control and ecosystem development and continuously improve environment quality”, as well as to formulate the proposal of achieving carbon peak by 2030. Subsequent to the Guiding Opinions on Promoting the Recycling of Sewage (《關於推進污水資源化利用的指導意見》) jointly issued by ten ministries and commissions, including the National Development and Reform Commission (the “NDRC”) in January 2021, the NDRC issued the Notice on Intensifying the Action Plan for Tariff Mechanism Reform during the 14th Five-Year Plan Period (《關於“十四五”時期深化價格機制改革行動方案的通知》) and the Urban Wastewater Treatment and Recycling Program for the 14th Five-Year Plan Period (《“十四五”城鎮污水處理及資源化利用發展規劃》) in May and June 2021, respectively, under which it proposes to intensify the tariff mechanism reform for water resources and determine the targets for the year 2025 and long term objectives until 2035 of wastewater centralized collection rate, wastewater treatment rate, reclaimed water utilization rate and sludge harmless treatment rate. During the period, the Group increased its wastewater treatment capacity and improved the quality of discharged water by way of expansion and raising treatment standards, so as to make contribution to improving the water ecological environment in China. The Group believes that, in the foreseeable future, the government would continue to highly value wastewater treatment industry through persistently introducing favorable policies to guide the industry development towards a more standardized and healthful direction in general.

### DEVELOPMENT STRATEGIES AND FUTURE DEVELOPMENT

In the past two years, the Group adopted measures to optimize management structure and increase operation efficiency with satisfactory results, which has substantially improved the Group's profitability. Meanwhile, the Group has developed a diversified financing channel to refine its debt structure and financial position. In the future, the Group will continue to focus on our main business, namely wastewater treatment, and further increase the profitability of our existing projects and improve the operational cash flows of the Group by raising treatment standards and expansion. The Group will also grasp the opportunities coming along with the state environmental protection policies in relation to water environment, carbon peak and carbon neutrality to expand into both upstream and downstream businesses along the industrial chain of water treatment industry and rationally screen quality projects for operation, including disposal of sludge, operation, maintenance and construction of drainage facilities, reuse of reclaimed water and disposal of industrial wastewater, so as to contribute to a better national ecosystem while exploring investment opportunities. Also, the Group will continue to lower its financing cost and improve debt structure by developing more financing channels, increase operational efficiency, strictly control operational cost and speed up the process of activating low efficiency assets to maximize return for our shareholders.

## **BUSINESS REVIEW**

During the six months ended 30 June 2021 (the “Reporting Period”), the Group’s 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 WTPs, RWTPs, STPs, WDPs, 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 BOT, TOT, Public-Private-Partnership (the “PPP”), Build- Own-Operate (the “BOO”), EPC and O&M. The Group had 100 service concession arrangement projects under operation while its operational treatment capacity was over 4 million tons per day as at 30 June 2021.

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.

## 1.1 Urban Water Treatment

As at 30 June 2021, the Group had entered into a total of 113 service concession arrangements projects, including 106 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 2021 is as follows:

	<b>Daily wastewater treatment capacity</b>	<b>Daily water distribution capacity</b>	<b>Daily reclaimed water treatment capacity</b>	<b>Daily sludge treatment capacity</b>	<b>Total</b>
<i>(Tonnes)</i>					
In operation	3,981,500	–	65,000	550	4,047,050
Not yet start operation/ Not yet transferred	<u>320,000</u>	<u>180,000</u>	<u>–</u>	<u>–</u>	<u>500,000</u>
Total	<u><u>4,301,500</u></u>	<u><u>180,000</u></u>	<u><u>65,000</u></u>	<u><u>550</u></u>	<u><u>4,547,050</u></u>
<i>(Number of projects)</i>					
In operation	95	–	2	3	100
Not yet start operation/ Not yet transferred	<u>11</u>	<u>2</u>	<u>–</u>	<u>–</u>	<u>13</u>
Total	<u><u>106</u></u>	<u><u>2</u></u>	<u><u>2</u></u>	<u><u>3</u></u>	<u><u>113</u></u>

	<b>Number of projects</b>	<b>Treatment capacity <i>(Tonnes/Day)</i></b>	<b>Actual processing volume during the six months ended 30 June 2021 <i>(Million Tonnes)</i></b>
<b>Wastewater treatment services</b>			
Shandong	45	1,244,500	167.1
Henan	23	1,060,000	166.6
Heilongjiang	6	425,000	75.1
Shanxi	2	350,000	43.8
Zhejiang	2	250,000	45.2
Guangdong	4	220,000	26.7
Anhui	3	175,000	26.4
Jiangsu	6	102,000	15.0
Other provinces/municipalities*	15	475,000	38.6
	106	4,301,500	604.5
<b>Water distribution services</b>	2	180,000	–
<b>Reclaimed water treatment services</b>	2	65,000	2.1
<b>Total</b>	<b>110</b>	<b>4,546,500</b>	<b>606.6</b>
<b>Sludge treatment services</b>	3	550	–
<b>Total</b>	<b>113</b>	<b>4,547,050</b>	<b>606.6</b>

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

### *1.1.1 Operation Services*

As at 30 June 2021, the Group had 95 wastewater treatment projects, 2 reclaimed water treatment projects and 3 sludge treatment projects in operation in Mainland China. Total daily treatment capacity of wastewater treatment plants, reclaimed water treatment plants, and sludge treatment plants in operation for the six months ended 30 June 2021 reached 3,981,500 tonnes (2020: 3,766,500 tonnes), 65,000 tonnes (2020: 65,000 tonnes), and 550 tonnes (2020: 550 tonnes), respectively. For the six months ended 30 June 2021, the annualized utilization rate for wastewater and reclaimed water treatment plants in operation was approximately 83% (2020: 83%). The actual average water treatment tariff for the six months ended 30 June 2021 was approximately RMB1.47 per tonne (2020: approximately RMB1.46 per tonne). The actual aggregate processing volume for the six months ended 30 June 2021 was 606.6 million tonnes, representing an increase of 16% as compared to the same period last year (six months ended 30 June 2020: 525.1 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 2021 was RMB558.9 million, representing an increase of approximately 15% (six months ended 30 June 2020: RMB487.5 million). The corresponding increase was primarily due to the increase in 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 2021, construction revenue was recognised for 25 projects, including 20 wastewater treatment plants, 2 water distribution plants, 1 reclaimed water treatment plant, and 2 sludge treatment plants, which were mainly located in Shandong, Shanxi, and Guangdong provinces in Mainland China. Total construction revenue of those projects for the six months ended 30 June 2021 was RMB444.5 million, representing a year-on-year decrease of approximately 38% (six months ended 30 June 2020: RMB717.0 million). The corresponding decrease was primarily due to a decrease in the project numbers during the main construction period. As at 30 June 2021, the total daily treatment capacity of the service concession arrangements plants, which were still in the construction stage, was 355,000 tonnes, including 175,000 tonnes of wastewater treatment plants and 180,000 tonnes of water distribution plants.

## **1.2 Water Environment Comprehensive Remediation**

In the first half of 2021, the Group continued to devote efforts to implementing the existing projects of Water Environment Comprehensive Remediation. As at 30 June 2021, most of the projects have been completed. The Group devoted efforts to lower the risk and enhance the reasonable profit for the existing projects. The Group will integrate resources to execute the Water Environment Comprehensive Remediation projects under the contracts of EPC and O&M.

The Group had 6 Water Environment Comprehensive Remediation projects under construction during the six months ended 30 June 2021. The projects were mainly located in Jiangxi and Shandong provinces in Mainland China. For the six months ended 30 June 2021, total revenue of those projects was RMB68.0 million, representing a year-on-year decrease of approximately 59% (six months ended 30 June 2020: RMB164.1 million). The corresponding decrease was primarily due to the completion of partial existing EPC projects.

## **1.3 Rural Water Improvement**

In the first half of 2021, the Group disposed 1 Rural Water Improvement project in Guizhou province. As at 30 June 2021, the existing 2 projects of Rural Water Improvement which were under construction were located in Guangdong provinces in Mainland China. For the six months ended 30 June 2021, total revenue of those projects was RMB57.1 million, representing a year-on-year increase of approximately 30% (six months ended 30 June 2020: RMB43.9 million). The corresponding increase was primarily due to the increase in the construction work of existing projects and the increased operation revenue due to the partial operation of these two projects.

## **FINANCIAL ANALYSIS**

### **Revenue**

For the six months ended 30 June 2021, the Group recorded a revenue of RMB1,475.5 million, representing a decrease of approximately 15% as compared to the previous corresponding period of RMB1,729.8 million. The decrease was mainly due to the decrease in construction revenue of RMB360.4 million, and partially offset by the increase in operation revenue of RMB76.1 million, and the increase in financial income of RMB30.0 million. The decrease in construction revenue was mainly due to the decrease in the number of projects during the main construction period of Urban Water Treatment services, the completion of partial existing EPC 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 2021 amounted to RMB800.1 million, including construction costs of RMB440.6 million and operation costs of water treatment plants of RMB359.5 million, representing a decrease of approximately 27% as compared to the previous corresponding period of RMB1,090.5 million. The decrease was due to the decrease in construction costs. The decrease in construction costs was mainly due to the decrease in the construction work of existing projects which was in line with the decrease in 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 2021, the Group's gross profit margin was approximately 46%, representing an increase of 9 percentage points as compared to the previous corresponding period of approximately 37%. The increase was primarily due to the increase in the proportion of operation revenue and financial income recognized in this period.

## **Other Income and Gains**

The Group recorded other income and gains of RMB78.1 million for the six months ended 30 June 2021, representing an increase of approximately 9% as compared to the previous corresponding period of RMB71.6 million. The amount for this Reporting Period primarily included government grants of RMB41.1 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 (Cai Shui [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 RMB1.9 million, interest income of RMB12.1 million from loans to third parties and a joint venture, gains on foreign exchanges of RMB3.2 million, other investment income of RMB8.6 million, and gains on disposal of subsidiaries of RMB9.6 million.

## **Selling and Distribution Expenses**

The Group's selling and distribution expenses for the six months ended 30 June 2021 was RMB0.6 million, representing a significant decrease of approximately 65% as compared to RMB1.7 million in the previous corresponding period, which was a result of stringent management and cost control.

## **Administrative Expenses**

The Group's administrative expenses for the six months ended 30 June 2021 was RMB111.8 million, representing an increase of approximately 15% as compared to the previous corresponding period of RMB97.1 million. The increase was mainly due to the increase in staff costs and professional fees. The increase in staff costs was primarily due to the increased numbers of operating wastewater treatment plants.

\* for identification purposes only

## Finance Costs

The Group's finance costs for the six months ended 30 June 2021 of RMB283.9 million mainly comprised interests on interest-bearing bank and other borrowings and corporate bonds, representing a slight decrease of approximately 2% as compared to RMB289.6 million in the previous corresponding period. The decrease in finance costs was mainly due to corporate bonds having been replaced by interest-bearing bank and other borrowings, and lower interest rate on interest-bearing bank and other borrowings. The average balance of interest-bearing bank and other borrowings and corporate bonds increased by RMB39.8 million and the average interest rate was 6.06%, representing a decrease of 0.15 percentage points as compared to that in the previous corresponding period. The decrease in average interest rate was mainly due to the change in the loan structure, the interest-bearing bank and other borrowings obtained which bore a relatively lower rate than the corporate bonds. The Group will further seek practical ways 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

The Group's share of losses of associates for the six months ended 30 June 2021 was RMB2.1 million, representing a decrease of approximately 43% as compared to share of losses of associates of RMB3.7 million in the previous corresponding period. The Group will further execute practical ways to reduce the losses brought by the associates.

## Income Tax Expense

Income tax expense for the six months ended 30 June 2021 included the current PRC income tax of RMB19.3 million and deferred tax expenses of RMB52.9 million, which were RMB8.6 million and RMB65.7 million for the previous corresponding period, respectively. The Group's effective tax rate for the six months ended 30 June 2021 was approximately 23%, representing a decrease of 1 percentage points as compared with approximately 24% 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 increase in tax effect of disposal of subsidiaries, (iii) the decrease in tax losses not recognised, and (iv) the increase in reversal of tax losses recognised in previous periods.

## Financial Receivables

	As at	
	30 June 2021	31 December 2020
	RMB'000	RMB'000
Receivables for service concession arrangements	10,603,211	10,006,697
Portion classified as current	<u>(1,776,557)</u>	<u>(1,692,798)</u>
Non-current portion	<u>8,826,654</u>	<u>8,313,899</u>

As at 30 June 2021, the Group's financial receivables of RMB10,603.2 million (31 December 2020: RMB10,006.7 million) increased by RMB596.5 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 2021	31 December 2020
	<i>RMB'000</i>	<i>RMB'000</i>
Contract assets	2,044,114	2,297,247
Portion classified as current	<u>(194,062)</u>	<u>(222,337)</u>
Non-current portion	<u><u>1,850,052</u></u>	<u><u>2,074,910</u></u>

As at 30 June 2021, the Group's contract assets of RMB2,044.1 million (31 December 2020: RMB2,297.2 million), decreased by RMB253.1 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 2021, the Group's trade and bills receivables of RMB1,796.1 million (31 December 2020: RMB1,527.0 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 RMB269.1 million, mainly due to (i) the increase in Urban Water Treatment projects receivables of approximately RMB344.0 million, (ii) the net decrease of Water Environment Comprehensive Remediation projects receivables of approximately RMB70.5 million, which included EPC project receivables of approximately RMB70.8 million arising from the progress billing and cash collected from EPC and Build-Transfer projects of approximately RMB141.3 million, and (iii) the increase in Rural Water Improvement projects receivables of approximately RMB4.2 million.

### Prepayments, Other Receivables and Other Assets

As at 30 June 2021, the Group's prepayments, other receivables and other assets of RMB797.9 million (31 December 2020: RMB791.2 million) increased by RMB6.7 million, mainly arising from the decrease in prepayments of approximately RMB13.7 million related to the construction of wastewater treatment plants, the increase in other operational receivables and accrued interests of approximately RMB32.6 million, and decrease in loans to a third party of approximately RMB10.0 million.

## Cash and Cash Equivalents

As at 30 June 2021, the Group's cash and cash equivalents of RMB517.4 million (31 December 2020: RMB430.3 million) increased by RMB87.1 million as compared with that as at the end of previous period. The increase was due to the increase in cash inflows from operating activities and investing activities of the Group.

	For the six months ended	
	30 June	
	2021	2020
	RMB'000	RMB'000
Net cash flows from/(used in) operating activities <sup>(1)</sup>	31,269	(32,770)
Net cash flows from investing activities	116,393	511,684
Net cash flows (used in)/from financing activities	<u>(60,457)</u>	<u>117,726</u>
Net increase in cash and cash equivalents	87,205	596,640
Effect of foreign exchange rate changes, net	(102)	(144)
Cash and cash equivalents at beginning of the period	<u>430,262</u>	<u>225,672</u>
Cash and cash equivalents at end of the period	<u><u>517,365</u></u>	<u><u>822,168</u></u>

Note:

- (1) For the six months ended 30 June 2021 and 2020, the Group invested RMB275.6 million and RMB459.5 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 2021 and 2020, the Group would have incurred cash inflows of RMB306.9 million and RMB426.7 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 2021, the Group's trade and bills payables of RMB1,998.7 million (31 December 2020: RMB2,059.9 million) decreased by RMB61.2 million, which was in line with the increase of the Group's construction work in progress and the settlements.

## Other Payables and Accruals

As at 30 June 2021, the Group's other payables and accruals of RMB283.5 million (31 December 2020: RMB240.2 million) increased by RMB43.3 million, which was mainly due to the increase in salary and welfare payables 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 2021, the carrying amount of the Group's cash and cash equivalents was RMB517.4 million, representing an increase of approximately RMB87.1 million as compared to RMB430.3 million as at 31 December 2020, which was mainly due to the net cash inflows of RMB31.3 million from operating activities, the net cash outflows used in financing activities of RMB60.5 million, settlements of acquisition and investing payables of RMB1.8 million and cash outflows of RMB91.4 million for purchases of property, plant and equipment and intangible assets in investing activities, cash inflows of RMB44.8 million for decrease in pledged deposits, repurchase of other current financial assets of RMB162.0 million, cash inflows of RMB2.6 million for disposal of subsidiaries from investing activities, and cash inflows of RMB0.2 million for disposal of property, plant and equipment and intangible assets from investing activities.

As at 30 June 2021, the Group's total interest-bearing debts increased to RMB9,453.3 million (31 December 2020: RMB9,272.8 million), which comprised of bank and other borrowings at all (31 December 2020: bank and other borrowings of RMB8,688.5 million and corporate bonds of RMB584.3 million). As at 30 June 2021, 73.5% (31 December 2020: 75.6%) of the Group's interest-bearing debts are long term; over 60% of interest-bearing bank and other borrowings bear interest at floating rates.

As at 30 June 2021, the Group had banking facilities amounting to RMB58,651.5 million, of which RMB49,622.7 million have not been utilized. The unutilized amount of RMB49,402.6 million were mainly limited to be utilized on environmental protection infrastructure and comprehensive management.

As at 30 June 2021, the gearing ratio of the Group (calculated by total liabilities divided by total assets) slightly decreased to 70.7%, while the gearing ratio was 71.0% as at 31 December 2020.

## **Charges on the Group's Assets**

Outstanding balance of interest-bearing bank and other borrowings as at 30 June 2021 was approximately RMB9,453.3 million, which were repayable within one month to twenty-four years and were secured by financial receivables, service concession intangible assets, property, plant and equipment, trade receivables, and contract assets, of which the total amounts of the pledge of assets amounted to RMB9,793.3 million.

## **EMPLOYEES AND REMUNERATION POLICIES**

The Group had 2,440 employees as at 30 June 2021. 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 2021, the Group did not have any significant contingent liabilities (31 December 2020: 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 2021, 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 2021.

## **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 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 on the Stock Exchange (the “Listing Rules”). The Board is of the view that during the six months ended 30 June 2021, 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 2021 (six months ended 30 June 2020: Nil).

## **AUDIT COMMITTEE AND REVIEW OF THE INTERIM RESULTS**

The Company has established an audit committee (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 2021, 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 2021. 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 2021 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.

## **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 2021.

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

During the six months ended 30 June 2021, 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**

This 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). The interim report of the Group for the six months ended 30 June 2021 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**  
*Co-Chairman*  
**Mr. Li Zhong**

Hong Kong, 26 August 2021

*As at the date of this announcement, the Board comprises 7 Directors, namely Mr. ZHAO Juanxian (alias, ZHAO Junxian), Mr. LI Zhong, Ms. LIU Yujie and Mr. DUAN, Jerry Linnan as executive Directors; and Mr. CHAU Kam Wing, Mr. CHANG Qing and Mr. PENG Yongzhen as independent non-executive Directors.*