



**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



**2021**  
Interim Report

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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

## 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

Suntera (Cayman) Limited  
Suite 3204, Unit 2A  
Block 3, Building D  
P.O. Box 1586  
Gardenia Court, Camana Bay  
Grand Cayman, KY1-1100  
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  
Australia and New Zealand Banking Group Limited

## AUDITOR

Ernst & Young

## STOCK CODE

6136

## COMPANY WEBSITE

<http://www.kangdaep.com>

# 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, Kangda International Environmental Company Limited (the "Company", together with its subsidiaries, 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 wastewater treatment plants (the "WTPs"), reclaimed water treatment plant (the "RWTPs"), sludge treatment plants (the "STPs"), water distribution plants (the "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 Build-Operate-Transfer ("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 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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:

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

# MANAGEMENT DISCUSSION AND ANALYSIS

	Number of projects	Treatment capacity (Tonnes/Day)	Actual processing volume during the six months ended 30 June 2021 (Million Tonnes)
<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
Total	110	4,546,500	606.6
<b>Sludge treatment services</b>			
	3	550	–
Total	113	4,547,050	606.6

\* 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 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 the 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.

\* 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 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.

## 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Receivables

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

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 RMB'000	31 December 2020 RMB'000
Contract assets	2,044,114	2,297,247
Portion classified as current	(194,062)	(222,337)
Non-current portion	1,850,052	2,074,910

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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 RMB'000	2020 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	(60,457)	117,726
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	430,262	225,672
Cash and cash equivalents at end of the period	517,365	822,168

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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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.

In respect of pension scheme contributions, the Group adopts a defined contribution plan. The Group's contributions to the defined contribution plan are recognised as expenses when incurred. Forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) may not be used by the Group and its subsidiaries to reduce the existing level of contributions.

## 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.

# 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 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).

## OTHER INFORMATION

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

As at 30 June 2021, 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 <sup>(1)</sup> (alias, Zhao Junxian)	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%

Note:

- (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 2021, 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 2021, 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 the shares held by Sharp Profit 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 the relevant shares held by BPEA V. Mr. Jean Eric Salata disclaims beneficial ownership of such shares, 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 2021, 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 2021, 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.

### 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.

### 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 (the "Adoption Date"). During the six months ended 30 June 2021, no share option was granted, exercised, cancelled or lapsed under the Share Option Scheme. As at 30 June 2021, no share option was outstanding under the Share Option Scheme.

# OTHER INFORMATION

## 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.

## 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 2021, 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 2021, 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.

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.

## OTHER INFORMATION

### 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**  
**Li Zhong**  
*Co-Chairman*

Hong Kong, 26 August 2021

# INDEPENDENT REVIEW REPORT



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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 23 to 54, 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 2021 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month 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.

*Certified Public Accountants*  
Hong Kong

26 August 2021

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

For the six months ended 30 June 2021

	Notes	For the six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>REVENUE</b>	4	1,475,467	1,729,806
Cost of sales		(800,093)	(1,090,464)
Gross profit		675,374	639,342
Other income and gains	5	78,127	71,623
Selling and distribution expenses		(592)	(1,712)
Administrative expenses		(111,779)	(97,133)
Other expenses		(42,008)	(10,530)
Finance costs	7	(283,929)	(289,604)
Share of profits and losses of:			
Associates		(2,104)	(3,676)
Joint ventures		(903)	(1,599)
<b>PROFIT BEFORE TAX</b>	6	312,186	306,711
Income tax expense	8	(72,182)	(74,345)
<b>PROFIT FOR THE PERIOD</b>		240,004	232,366
Profit attributable to:			
Owners of the parent		236,770	225,218
Non-controlling interests		3,234	7,148
		240,004	232,366
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
— Basic and diluted	9	RMB 11.07 cents	RMB 10.93 cents
<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		(79,000)	—
Income tax effect		11,850	—
		(67,150)	—
<b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX</b>		(67,150)	—
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		172,854	232,366
Total comprehensive income attributable to:			
Owners of the parent		169,620	225,218
Non-controlling interests		3,234	7,148
		172,854	232,366

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	Notes	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
<b>NON-CURRENT LIABILITIES</b>			
Trade payables	13	62	1,756
Interest-bearing bank and other borrowings	14	6,948,393	6,754,171
Corporate bonds		–	256,985
Deferred income		5,443	1,260
Other payables and accruals		28,194	23,063
Deferred tax liabilities		959,492	910,260
<b>Total non-current liabilities</b>		<b>7,941,584</b>	<b>7,947,495</b>
<b>Net assets</b>		<b>5,274,652</b>	<b>5,118,198</b>
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital	15	17,125	17,125
Reserves		5,083,649	4,901,605
		<b>5,100,774</b>	<b>4,918,730</b>
Non-controlling interests		173,878	199,468
<b>Total equity</b>		<b>5,274,652</b>	<b>5,118,198</b>

**Li Zhong**  
Director

**Duan, Jerry Linnan**  
Director

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	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 2020 (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 income for the period	-	-	-	-	-	-	225,218	225,218	7,148	232,366
Exercise of share options	982	73,723	-	-	-	-	-	74,705	-	74,705
Capital contribution from a non-controlling shareholder	-	-	-	-	-	-	-	-	217	217
Disposal of a subsidiary	-	-	-	-	-	-	-	-	(668)	(668)
Transfer to special reserve (b)	-	-	-	13,783	-	-	(13,783)	-	-	-
Utilisation of special reserve (b)	-	-	-	(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
As at 1 January 2021 (audited)	17,125	1,717,384	378,107	-	65,553	(141,100)	2,881,661	4,918,730	199,468	5,118,198
Profit for the period	-	-	-	-	-	-	236,770	236,770	3,234	240,004
Other comprehensive expense	-	-	-	-	-	(67,150)	-	(67,150)	-	(67,150)
Total comprehensive income for the period	-	-	-	-	-	(67,150)	236,770	169,620	3,234	172,854
Capital contribution from non-controlling shareholders	-	-	121	-	-	-	-	121	1,053	1,174
Acquisition of non-controlling equity holders	-	-	12,303	-	-	-	-	12,303	(19,619)	(7,316)
Disposal of subsidiaries (a)	-	-	-	-	-	-	-	-	927	927
Dividends paid to a non-controlling shareholder	-	-	-	-	-	-	-	-	(11,185)	(11,185)
Transfer to special reserve (b)	-	-	-	8,130	-	-	(8,130)	-	-	-
Utilisation of special reserve (b)	-	-	-	(8,130)	-	-	8,130	-	-	-
As at 30 June 2021 (unaudited)	17,125	1,717,384*	390,531*	-*	65,553*	(208,250)*	3,118,431*	5,100,774	173,878	5,274,652

\* These reserve accounts comprise the consolidated reserves of RMB5,083,649,000 (30 June 2020: RMB4,677,900,000) in the consolidated statement of financial position.

Notes:

- During the period, Chongqing Kangda Environmental Protection Industry (Group) Co., Ltd., an indirectly wholly-owned subsidiary of the Company, disposed of its entire 90% interests in Xishui Kangda Environmental Treatment Co., Ltd., 80% interests in Pingdingshan Rulan New Energy Co., Ltd., which resulted in recognition of non-controlling interests of RMB927,000.
- 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 2021

	Notes	For the six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		312,186	306,711
Adjustments for:			
Finance costs	7	283,929	289,604
Foreign exchange differences, net	5	(3,154)	887
Share of losses of associates and joint ventures		3,007	5,275
Bank interest income	5	(1,872)	(2,923)
Interest income from loans to third parties	5	(11,648)	(9,035)
Interest income from loans to a joint venture	5	(408)	(410)
Investment income	5	(8,624)	(26,088)
Depreciation of property, plant and equipment	6	3,325	5,169
Depreciation of investment properties	6	438	351
Depreciation of right-of-use assets	6	142	1,562
Amortisation of service concession intangible assets	6	32,594	26,506
Amortisation of other intangible assets	6	233	157
(Gains)/losses on disposal of subsidiaries	5, 6	(9,606)	708
Losses on disposal of items of property, plant and equipment, net	10	10	–
Losses on disposal of items of other intangible assets, net		485	–
Impairment of financial receivables	6, 11	367	–
Impairment of contract assets	6	3	–
Impairment of prepayments, other receivables and other assets	6	4,670	360
Impairment of trade receivables	6	15,789	8,122
Impairment of goodwill	6	1,894	–
		623,760	606,956
Decrease/(increase) in inventories		477	(110)
Increase in financial receivables		(596,881)	(350,074)
Decrease/(increase) in contract assets		293,403	(325,930)
Increase in trade and bills receivables		(290,968)	(84,289)
(Increase)/decrease in prepayments, other receivables and other assets		(16,854)	15,967
(Decrease)/increase in trade and bills payables		(22,894)	123,654
Increase/(decrease) in other payables and accruals		51,031	(12,826)
Increase in deferred income		9,950	3,150
Cash from/(used in) operating activities		51,024	(23,502)
Interest received		1,847	2,898
Income taxes paid		(21,602)	(12,166)
Net cash flows from/(used in) in operating activities		31,269	(32,770)

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Notes	For the six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of items of property, plant and equipment	10	(239)	(615)
Additions to service concession intangible assets		(91,141)	(108,281)
Additions of investments in an associate		(1,804)	(691)
Proceeds from disposal of items of property, plant and equipment		172	298
Disposal of other current financial assets		161,975	611,107
Disposal of subsidiaries	18	2,592	847
Acquisition of subsidiaries, net of cash acquired		–	(25,500)
Decrease in pledged deposits		44,838	34,519
Net cash flows from investing activities		116,393	511,684
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase of bank and other borrowings		2,359,241	3,087,177
Repayment of bank and other borrowings		(1,563,325)	(1,866,005)
Repayment of corporate bonds		(576,016)	(907,997)
Interest paid		(279,617)	(268,210)
Principal portion of lease payments		(243)	(1,944)
Proceeds from exercise of share options		–	74,705
Dividends paid to non-controlling equity holders		(497)	–
Net cash flows (used in)/from financing activities		(60,457)	117,726
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>87,205</b>	<b>596,640</b>
Cash and cash equivalents at beginning of period		430,262	225,672
Effect of foreign exchange rate changes, net		(102)	(144)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>517,365</b>	<b>822,168</b>

# 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 waste water 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.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

## 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	<i>Interest Rate Benchmark Reform — Phase 2</i>
Amendments to IFRS 16	<i>COVID-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

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.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

## 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.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

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

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.

For the six months ended 30 June 2021 (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	1,350,313	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

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

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

At 30 June 2021 (Unaudited)	Water Environment			Total RMB'000
	Urban Water Treatment RMB'000	Comprehensive Remediation RMB'000	Rural Water Improvement RMB'000	
<b>Segment assets</b>	15,198,414	1,346,121	692,958	17,237,493
<i>Reconciliation:</i>				
Corporate and other unallocated assets				784,237
Total assets				18,021,730
<b>Segment liabilities</b>	11,691,267	446,245	478,922	12,616,434
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				130,644
Total liabilities				12,747,078
<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				26
Total capital expenditure*				117,809

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

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

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

For the six months ended 30 June 2020 (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	1,521,820	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

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

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

At 31 December 2020 (Audited)	Urban Water Treatment RMB'000	Water Environment Comprehensive Remediation RMB'000	Rural Water Improvement RMB'000	Total RMB'000
<b>Segment assets</b>	14,467,713	1,391,395	724,220	16,583,328
<i>Reconciliation:</i>				
Corporate and other unallocated assets				1,062,502
Total assets				17,645,830
<b>Segment liabilities</b>	10,801,996	519,291	531,704	11,852,991
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				674,641
Total liabilities				12,527,632
<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				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 2021

## 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 RMB'000 (Unaudited)	2020 RMB'000 (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
	<b>1,475,467</b>	1,729,806

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.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

## 5. OTHER INCOME AND GAINS

	For the six months ended	
	30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government grants (note a)	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
	<b>78,127</b>	<b>71,623</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 2021

## 6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Cost for construction services	440,639	770,356
Cost for operation services	359,454	320,108
<b>Total of cost of sales</b>	<b>800,093</b>	<b>1,090,464</b>
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	(9,606)	708

## 7. FINANCE COSTS

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (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
<b>Total</b>	<b>283,929</b>	<b>289,604</b>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

## 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 2021, 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 Announcement of the Ministry of Finance [2020] No. 23 *Announcement of the Ministry of Finance, the State Administration of Taxation, the National Development and Reform Commission on the Continuation of the Enterprise Income Tax Policy for the Development of the Western Region* (財政部、稅務總局、國家發展改革委關於延續西部大開發企業所得稅政策的公告), 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 60% 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 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:

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current income tax		
— Mainland China	19,279	8,608
Deferred income tax	52,903	65,737
Income tax charge for the period	72,182	74,345

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

## 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:

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

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired property, plant and equipment with an aggregate cost amounting to approximately RMB239,000 (six months ended 30 June 2020: RMB615,000).

The property, plant and equipment with a net book value of approximately RMB182,000 were disposed of by the Group during the six months ended 30 June 2021 (six months ended 30 June 2020: RMB298,000), resulting in RMB10,000 net loss on disposal (six months ended 30 June 2020: Nil).

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

## 11. FINANCIAL RECEIVABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Receivables for service concession arrangements	10,605,379	10,008,498
Impairment	(2,168)	(1,801)
Portion classified as current assets	10,603,211 (1,776,557)	10,006,697 (1,692,798)
Non-current portion	8,826,654	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 (note 14).

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

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

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

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

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

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

## 14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2021			31 December 2020		
	Effective interest rate (%)	Maturity	RMB'000 (Unaudited)	Effective interest rate (%)	Maturity	RMB'000 (Audited)
<b>Current</b>						
Bank loans — unsecured	3.85–4.90	2021–2022	771,480	3.85–4.90	2021	38,043
Bank loans — secured	3.56–6.72	2021–2022	473,923	4.35–6.72	2021	986,204
Current portion of long term bank loans — secured	3.75–6.50	2021–2022	531,092	3.75–6.18	2021	582,369
Current portion of long term bank loans — unsecured	5.30–6.18	2021–2022	380,212	–	–	–
Current portion of long term other loans — secured	4.50–6.65	2021–2022	307,261	4.50–9.90	2021	302,533
Current portion of long term other loans — unsecured	4.35–7.80	2021–2022	40,619	4.20–7.80	2021	24,913
Current portion of lease liabilities	4.91	2021–2022	335	4.91	2021	310
			<b>2,504,922</b>			<b>1,934,372</b>
<b>Non-current</b>						
Long term other loans — unsecured	1.20–7.80	2022–2026	1,014,097	1.20–7.80	2022–2026	595,000
Long term other loans — secured	2.80–6.65	2022–2026	978,891	2.80–9.90	2022–2026	1,141,220
Long term bank loans — secured	3.75–6.50	2022–2045	4,205,890	3.75–6.18	2022–2045	4,368,344
Long term bank loans — unsecured	4.90–6.18	2022–2023	747,696	4.55–4.99	2022–2023	647,676
Long term lease liabilities	4.91	2022–2039	1,819	4.91	2022–2039	1,931
			<b>6,948,393</b>			<b>6,754,171</b>
			<b>9,453,315</b>			<b>8,688,543</b>
Interest-bearing bank and other borrowings denominated in						
— RMB			9,079,939			8,313,318
— United States dollars			373,376			375,225
			<b>9,453,315</b>			<b>8,688,543</b>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

## 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 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Property, plant and equipment	14,533	15,447
Financial receivables (note 11)	7,591,671	7,168,543
Trade and bills receivables	973,452	748,253
Service concession intangible assets	998,564	937,310
Contract assets	215,118	552,464

The Group's borrowings of RMB2,590,403,000 (31 December 2020: RMB2,164,284,000) were guaranteed by the investments in certain subsidiaries.

The Group's borrowings of RMB896,290,000 (31 December 2020: RMB1,427,068,000) were guaranteed by a major shareholder of the Company (note 21).

## 15. SHARE CAPITAL

### Shares

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Authorised: 5,000,000,000 (31 December 2020: 5,000,000,000) ordinary shares of HK\$0.01 each	39,766	39,766
Issued and fully paid: 2,139,735,000 (31 December 2020: 2,139,735,000) ordinary shares of HK\$0.01 each	17,125	17,125

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

## 15. SHARE CAPITAL *(continued)*

### Shares *(continued)*

A summary of movements in the Company's issued share capital during the six months ended 30 June 2021 is as follows:

	Number of shares in issue (Unaudited)	Issued capital (Unaudited) RMB'000	Share premium (Unaudited) RMB'000	Total (Unaudited) RMB'000
At 1 January 2021 and 30 June 2021	2,139,735,000	17,125	1,717,384	1,734,509

## 16. 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).

## 17. LEASE

### The Group as a lessor

The Group leases its investment properties under operating lease arrangements, with terms ranging from one to eight 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 2021 and 31 December 2020, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within one year	1,472	1,440
In the second to eighth years, inclusive	5,560	6,321
	<b>7,032</b>	<b>7,761</b>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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## 18. DISPOSAL OF SUBSIDIARIES

	Notes	For the six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Property, plant and equipment		47,463	1,058
Contract assets		67,383	–
Deferred tax assets		2,886	–
Trade and bills receivables		2,733	2,497
Prepayments, other receivables and other assets		5,563	120
Cash and cash equivalents		408	3
Trade and bills payables		(83,304)	–
Interest-bearing bank and other borrowings		(18,018)	–
Other payables and accruals		(30,288)	(1,452)
Tax payable		(5)	–
		(5,179)	2,226
Group's share of net assets of disposed subsidiaries		(4,252)	1,558
Gains/(losses) on disposal	5, 6	9,606	(708)
Disposal consideration		5,354	850
Satisfied by:			
Cash		5,354	850
Cash consideration received		3,000	850
Cash and bank balances disposed of		(408)	(3)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries		2,592	847

## 19. CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any significant contingent liabilities (31 December 2020: Nil).

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

## 20. COMMITMENTS

The Group had the following commitments:

### (a) Capital commitments

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Contracted, but not provided for:	173,771	175,575

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Contracted, but not provided for:	2,605,770	2,775,662

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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## 21. RELATED PARTY TRANSACTIONS

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Certain expenses of the Group paid by a non-controlling shareholder of: Huizhou Kangda	191	–
Certain expenses of the Group paid by an associate: Zhongyuan Shuiwu	–	15,075
Certain loans of the Group borrowed from an associate: Zhongyuan Shuiwu	50,026	83,855
Certain expenses paid by the Group for non-controlling shareholders of: Shenyang Jinhai Pingdingshan City Bay Jiaoling Kangda	– – –	1,100 100 217
Services provided to associates and a joint venture: Zhongyuan Shuiwu Leping Hehu Fuzhou Fuhe Gaomi Kangrui	– 15,039 52,280 431	33,303 72,399 147,274 869
Services provided by an associate: Eastern Sludge Treatment	–	300
Services provided by a subsidiary of a shareholder: Jiangxi Silver Dragon (i)	15,645	98,225
Services provided by a non-controlling shareholder of: Jiaoling Kangda	–	1,740

(i) Jiangxi Silver Dragon Water Environment Construction Co., Ltd. (江西銀龍水環境建設有限責任公司) (“Jiangxi Silver Dragon”) 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.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

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

### (a) *(continued)*

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 period.

The Group's borrowings of RMB896,290,000 (31 December 2020: RMB1,427,068,000) were guaranteed by a major shareholder of the Company (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 2021 RMB'000 (Unaudited)	31 December 2020 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	4,353	4,162
Jiaoling Kangda	1,478	1,478
Amounts due to associates:		
Eastern Sludge Treatment	8,122	9,622
Zhongyuan Shuiwu	73,580	49,612
Amounts due to a subsidiary of a shareholder:		
Jiangxi Silver Dragon	18,139	55,305
Amounts due from non-controlling shareholders of:		
Pingdingshan City Bay	10,649	10,749
Weihai Kangda	43	43
Jiaoling Kangda	1,187	1,187
Shenyang Jinhai	1,100	1,100
Amounts due from associates:		
Zhongyuan Shuiwu	127,258	132,758
Fuzhou Fuhe	62,644	67,100
Leping Hehu	21,262	29,809
Amounts due from joint ventures:		
Tianqiyuan	22,575	22,575
Gaomi Kangrui	17,765	17,334

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

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

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

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Short term employee benefits	850	874
Post-employment benefits	–	–
<b>Total compensation paid to key management personnel</b>	<b>850</b>	<b>874</b>

## 22. 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 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Financial assets:				
Equity investments designated at fair value through other comprehensive income	259,000	338,000	259,000	338,000
Prepayments, other receivables and other assets, non-current portion	147,744	148,590	156,628	166,353
Financial receivables, non-current portion	8,826,654	8,313,899	8,847,875	8,375,726
	<b>9,233,398</b>	8,800,489	<b>9,263,503</b>	8,880,079
Financial liabilities:				
Trade and bills payables, non-current portion	62	1,756	59	1,676
Interest-bearing bank and other borrowings (other than lease liabilities), non-current portion	6,948,393	6,754,171	7,035,932	6,918,418
Non-current corporate bonds	–	256,985	–	256,985
	<b>6,948,455</b>	7,012,912	<b>7,035,991</b>	7,177,079

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

## 22. 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.

For the fair value of the unlisted equity investments at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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## 22. 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 2021

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Equity investments designated at fair value through other comprehensive income	–	259,000	–	259,000

As at 31 December 2020

	Fair value measurement using			Total RMB'000 (Audited)
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	
Equity investments designated at fair value through other comprehensive income	–	338,000	–	338,000

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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## 22. 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 2021

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Prepayments, other receivables and other assets, non-current portion	–	156,628	–	156,628
Financial receivables, non-current portion	–	8,847,875	–	8,847,875
	–	9,004,503	–	9,004,503

As at 31 December 2020

	Fair value measurement using			Total RMB'000 (Audited)
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	
Prepayments, other receivables and other assets, non-current portion	–	166,353	–	166,353
Financial receivables, non-current portion	–	8,375,726	–	8,375,726
	–	8,542,079	–	8,542,079

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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## 22. 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 2021

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Trade and bills payables, non-current portion	–	59	–	59
Interest-bearing bank and other borrowings (other than lease liabilities), non-current portion	–	7,035,932	–	7,035,932
	–	7,035,991	–	7,035,991

As at 31 December 2020

	Fair value measurement using			Total RMB'000 (Audited)
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	
Trade and bills payables, non-current portion	–	1,676	–	1,676
Interest-bearing bank and other borrowings (other than lease liabilities), non-current portion	–	6,918,418	–	6,918,418
Non-current corporate bonds	–	256,985	–	256,985
	–	7,177,079	–	7,177,079

## 23. EVENTS AFTER THE REPORTING PERIOD

No significant events took place subsequent to 30 June 2021.

## 24. APPROVAL OF ISSUANCE OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The unaudited interim condensed consolidated financial information was authorised for issue by the board of directors on 26 August 2021.