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KANGDA INTERNATIONAL ENVIRONMENTAL COMPANY LIMITED

康達國際環保有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 6136)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

HIGHLIGHTS

- Revenue was approximately RMB1,115.5 million, representing an increase of 2.0% over the corresponding period last year mainly owing to the increase in revenue from operating services.
- Gross profit was RMB544.5 million, slightly decreased comparing with RMB544.8 million of the corresponding period last year. Due to the increases in operating costs, gross profit margin decreased by 1 percentage point to 48.8% comparing with that of the corresponding period last year.
- Profit attributable to owners of the parent was RMB108.6 million, representing an increase of 32.8% over the corresponding period last year, mainly contributed by the decrease in financial costs and administrative expenses.
- Basic and diluted earnings per share attributable to ordinary equity holders of the parent was RMB5.08 cents, representing a sharp increase of 33.0% as compared with RMB3.82 cents over the corresponding period last year.
- Net cash inflow from operating activities reached RMB160.9 million, increased by RMB150.9 million comparing with the corresponding period last year, reaching the highest level of interim periods since 2017.
- The Board did not recommend the payment of interim dividend for the six months ended 30 June 2024.

The board (the “Board”) of directors (the “Directors”) of Kangda International Environmental Company Limited (the “Company”) is pleased to announce the unaudited interim condensed consolidated financial results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2024 (the “Reporting Period”) together with the comparative figures for the corresponding period in 2023 and the relevant explanatory notes as set out below.

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

For the six months ended 30 June 2024

		For the six months ended 30 June	
	<i>Notes</i>	2024	2023
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
REVENUE	4	1,115,511	1,093,082
Cost of sales		<u>(571,040)</u>	<u>(548,257)</u>
Gross profit		544,471	544,825
Other income and gains	5	38,387	28,701
Selling and distribution expenses		(476)	(526)
Administrative expenses		(132,844)	(138,060)
Other expenses		(20,440)	(12,910)
Finance costs	6	(274,221)	(292,542)
Share of profits and losses of:			
Associates		110	900
Joint ventures		<u>(1,690)</u>	<u>940</u>
PROFIT BEFORE TAX	7	153,297	131,328
Income tax expense	8	<u>(47,198)</u>	<u>(46,610)</u>
PROFIT FOR THE PERIOD		<u>106,099</u>	<u>84,718</u>
Profit attributable to:			
Owners of the parent		108,597	81,801
Non-controlling interests		<u>(2,498)</u>	<u>2,917</u>
		<u>106,099</u>	<u>84,718</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— Basic and diluted	9	<u>RMB 5.08 cents</u>	<u>RMB 3.82 cents</u>

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

For the six months ended 30 June 2024

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	5,000	4,000
Income tax effect	(750)	(600)
	4,250	3,400
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	4,250	3,400
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	110,349	88,118
Total comprehensive income attributable to:		
Owners of the parent	112,847	85,201
Non-controlling interests	(2,498)	2,917
	110,349	88,118

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION**

30 June 2024

		30 June 2024	31 December 2023
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		51,305	53,378
Investment properties		10,774	11,083
Investments in associates		234,687	234,577
Investments in joint ventures		76,401	78,091
Service concession intangible assets		1,317,787	1,376,539
Other intangible assets		1,603	1,776
Contract assets		741,944	1,177,367
Goodwill		17,170	58,325
Financial receivables	<i>10</i>	9,953,140	9,512,959
Deferred tax assets		80,322	84,362
Right-of-use assets		1,762	2,286
Prepayments, other receivables and other assets		25,290	25,191
		<hr/>	<hr/>
Total non-current assets		12,512,185	12,615,934
		<hr/> <hr/>	<hr/> <hr/>
CURRENT ASSETS			
Inventories		17,378	18,092
Contract assets		48,534	77,629
Equity investments designated at fair value through other comprehensive income		352,000	347,000
Financial receivables	<i>10</i>	2,093,122	2,079,291
Trade receivables	<i>11</i>	3,075,994	2,808,513
Prepayments, other receivables and other assets		735,271	903,826
Pledged deposits		77,889	128,713
Cash and cash equivalents		300,245	248,360
Other current financial assets		4	4
		<hr/>	<hr/>
Total current assets		6,700,437	6,611,428
		<hr/> <hr/>	<hr/> <hr/>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION (continued)**

30 June 2024

		30 June 2024	31 December 2023
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
CURRENT LIABILITIES			
Trade and bills payables	12	1,966,161	2,013,332
Other payables and accruals		120,709	177,286
Interest-bearing bank and other borrowings		3,456,892	3,501,475
Tax payable		81,476	79,356
		<hr/>	<hr/>
Total current liabilities		5,625,238	5,771,449
		<hr/>	<hr/>
NET CURRENT ASSETS		1,075,199	839,979
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		13,587,384	13,455,913
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Trade payables	12	4	201
Interest-bearing bank and other borrowings		6,464,453	6,415,560
Other payables and accruals		29,064	30,629
Deferred tax liabilities		1,183,157	1,159,491
		<hr/>	<hr/>
Total non-current liabilities		7,676,678	7,605,881
		<hr/>	<hr/>
Net assets		5,910,706	5,850,032
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital		17,125	17,125
Reserves		5,814,079	5,694,664
		<hr/>	<hr/>
		5,831,204	5,711,789
		<hr/>	<hr/>
Non-controlling interests		79,502	138,243
		<hr/>	<hr/>
Total equity		5,910,706	5,850,032
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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

1. CORPORATE AND GROUP INFORMATION

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

The Company is an investment holding company and its subsidiaries are engaged in the design, construction, operation and maintenance of wastewater treatment plants (the “WTPs”), reclaimed water treatment plants (the “RWTPs”), water distribution plants (the “WDPs”), sludge treatment plants (the “STPs”) and other municipal infrastructures in the mainland (“Chinese Mainland”) 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 2024 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 2023.

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

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

2.2 Changes to the Group's accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, 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 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the "2020 Amendments")
Amendments to IAS 1	<i>Non-current Liabilities with Covenants</i> (the "2022 Amendments")
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

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

- (a) Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

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

2.2 Changes to the Group's accounting policies (Continued)

- (c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

3. OPERATING SEGMENT INFORMATION (continued)

For the six months ended 30 June 2024 (Unaudited)	Urban Water Treatment RMB'000	Water Environment Comprehensive Remediation RMB'000	Rural Water Improvement RMB'000	Total RMB'000
Segment revenue				
Sales to external customers	1,077,593	13,803	24,115	1,115,511
Total segment revenue	1,077,593	13,803	24,115	1,115,511
Segment results	274,649	14,825	(9,670)	279,804
<i>Reconciliation:</i>				
Unallocated income and gains				6,463
Share of loss of an unallocated associate				(42)
Share of loss of an unallocated joint venture				(524)
Corporate and other unallocated expenses				(28,453)
Unallocated lease-related finance costs				(60)
Unallocated finance costs (other than interest on lease liabilities)				(103,891)
Profit before tax for the period				153,297
Other segment information				
Share of gains of associates	–	152	–	152
Share of loss of an unallocated associate				(42)
Share of loss of a joint venture	(1,166)	–	–	(1,166)
Share of loss of an unallocated joint venture				(524)
Depreciation and amortisation	45,468	2	20,261	65,731
Unallocated depreciation and amortisation				2,118
Total depreciation and amortisation				67,849

3. OPERATING SEGMENT INFORMATION (continued)

At 30 June 2024 (Unaudited)	Urban Water Treatment <i>RMB'000</i>	Water Environment Comprehensive Remediation <i>RMB'000</i>	Rural Water Improvement <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets	16,799,525	1,184,571	621,274	18,605,370
<i>Reconciliation:</i>				
Corporate and other unallocated assets				<u>607,252</u>
Total assets				<u><u>19,212,622</u></u>
Segment liabilities	12,432,288	336,322	474,690	13,243,300
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				<u>58,616</u>
Total liabilities				<u><u>13,301,916</u></u>
Other segment information				
Investments in associates	–	234,410	–	234,410
Unallocated investments in associates				277
Investment in a joint venture	68,490	–	–	68,490
Unallocated investment in a joint venture				7,911
Capital expenditure	4,667	–	3,173	7,840
Unallocated amounts				<u>16</u>
Total capital expenditure*				<u><u>7,856</u></u>

* Capital expenditure consists of additions to property, plant and equipment and intangible assets during the six months ended 30 June 2024.

3. OPERATING SEGMENT INFORMATION (continued)

For the six months ended 30 June 2023 (Unaudited)	Urban Water Treatment <i>RMB'000</i>	Water Environment Comprehensive Remediation <i>RMB'000</i>	Rural Water Improvement <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue				
Sales to external customers	1,036,083	27,721	29,278	1,093,082
Total segment revenue	1,036,083	27,721	29,278	1,093,082
Segment results	248,829	10,033	(3,818)	255,044
<i>Reconciliation:</i>				
Unallocated income and gains				14,109
Share of gains of unallocated associates				747
Share of gain of an unallocated joint venture				349
Corporate and other unallocated expenses				(29,983)
Unallocated lease-related finance costs				(52)
Unallocated finance costs (other than interest on lease liabilities)				(108,886)
Profit before tax for the period				131,328
Other segment information				
Share of gains of associates	–	153	–	153
Share of gains of unallocated associates				747
Share of gain of a joint venture	591	–	–	591
Share of gain of an unallocated joint venture				349
Depreciation and amortisation	32,926	12	16,526	49,464
Unallocated depreciation and amortisation				1,855
Total depreciation and amortisation				51,319

3. OPERATING SEGMENT INFORMATION (continued)

At 31 December 2023 (Audited)	Urban Water Treatment <i>RMB'000</i>	Water Environment Comprehensive Remediation <i>RMB'000</i>	Rural Water Improvement <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets	16,511,177	1,253,543	636,810	18,401,530
<i>Reconciliation:</i>				
Corporate and other unallocated assets				<u>825,832</u>
Total assets				<u><u>19,227,362</u></u>
Segment liabilities	12,473,546	489,654	362,094	13,325,294
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				<u>52,036</u>
Total liabilities				<u><u>13,377,330</u></u>
Other segment information				
Investments in associates	–	234,258	–	234,258
Unallocated investments in associates				319
Investment in a joint venture	69,656	–	–	69,656
Unallocated investment in a joint venture				8,435
Capital expenditure	10,546	–	9,527	20,073
Unallocated amounts				<u>4</u>
Total capital expenditure*				<u><u>20,077</u></u>

* Capital expenditure consists of additions to property, plant and equipment and intangible assets during the six months ended 30 June 2023.

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 from service concession arrangements. The amount of each significant category of revenue during the six months ended 30 June 2024 is as follows:

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Revenue from construction services	100,177	99,979
Revenue from operating services	642,667	619,022
Financial income from service concession arrangements	372,667	374,081
	<u>1,115,511</u>	<u>1,093,082</u>
Total	<u>1,115,511</u>	<u>1,093,082</u>

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

The aggregated revenue from construction services, operating services and financial income from service concession arrangements derived in Chinese Mainland amounted to RMB1,115,511,000 and RMB1,093,082,000 for the six months ended 30 June 2024 and 2023, respectively.

5. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest income from loans to a third party	8,704	5,604
Government grants (<i>note a</i>)	7,271	8,663
Investment income	1,432	1
Bank interest income	1,137	1,702
Interest income from loans to a joint venture and an associate	988	725
Rental income less depreciation of investment properties	290	256
Dividend income from equity investments designated at fair value through other comprehensive income	–	9,602
Others	18,565	2,148
	<u>38,387</u>	<u>28,701</u>
Total	<u>38,387</u>	<u>28,701</u>

5. OTHER INCOME AND GAINS (continued)

Note:

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

6. FINANCE COSTS

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on interest-bearing bank and other borrowings	274,161	292,490
Interest on lease liabilities	60	52
	<hr/>	<hr/>
Total	274,221	292,542
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7. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost for construction services	79,130	91,873
Cost for operation services	491,910	456,384
Total of cost of sales	571,040	548,257
Depreciation of property, plant and equipment	2,665	2,979
Depreciation of investment properties	309	419
Depreciation of right-of-use assets	524	162
Amortisation of service concession intangible assets	64,178	47,560
Amortisation of other intangible assets	173	199
Impairment of financial receivables	118	42
Impairment of contract assets	(124)	23
Impairment of prepayments, other receivables and other assets	1,589	1,209
Impairment of trade receivables	14,785	9,059
Exchange differences, net	2,358	1,608

8. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong for the six months ended 30 June 2024 (six months ended 30 June 2023: 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	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current		
— Chinese Mainland	20,242	17,646
Deferred	26,956	28,964
Income tax charge for the period	47,198	46,610

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 of 2,139,735,000 (2023: 2,139,735,000) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2024 and 2023.

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

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings:		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	<u>108,597</u>	<u>81,801</u>
	Number of Shares	
	30 June	30 June
	2024	2023
	(Unaudited)	(Unaudited)
Shares:		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	<u>2,139,735,000</u>	<u>2,139,735,000</u>

10. FINANCIAL RECEIVABLES

	30 June 2024	31 December 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Receivables for service concession arrangements	12,049,395	11,595,265
Impairment	<u>(3,133)</u>	<u>(3,015)</u>
Portion classified as current assets	<u>12,046,262</u>	<u>11,592,250</u>
	<u>(2,093,122)</u>	<u>(2,079,291)</u>
Non-current portion	<u>9,953,140</u>	<u>9,512,959</u>

10. FINANCIAL RECEIVABLES (continued)

Receivables for service concession arrangements arose from the service concession contracts to build and operate WTPs 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 Chinese Mainland, 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 Chinese Mainland. 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.

At 30 June 2024, the Group’s financial receivables with a carrying value of RMB8,612,107,000 (31 December 2023: RMB7,957,461,000) were pledged to secure certain interest-bearing bank and other borrowings granted to the Group.

11. TRADE RECEIVABLES

Trade 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 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 2024 RMB’000 (Unaudited)	31 December 2023 RMB’000 (Audited)
Within 3 months	461,608	531,465
4 to 6 months	450,921	388,458
7 to 12 months	615,632	460,962
Over 12 months	1,547,833	1,427,628
Total	<u>3,075,994</u>	<u>2,808,513</u>

12. TRADE AND BILLS PAYABLES

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

	30 June 2024	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Within 3 months	285,365	370,571
4 to 6 months	176,033	141,980
7 to 12 months	190,323	211,017
Over 12 months	1,314,444	1,289,965
	<u>1,966,165</u>	<u>2,013,533</u>
Total	<u>1,966,165</u>	<u>2,013,533</u>
Portion classified as current liabilities	<u>(1,966,161)</u>	<u>(2,013,332)</u>
Non-current portion	<u>4</u>	<u>201</u>

13. DIVIDEND

The board of directors did not recommend payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In the first half of 2024, although the economy in Chinese Mainland grew steadily, the adjustment of wastewater treatment tariff still lagged behind and could not effectively cover the increased operating costs such as electricity fees and cost of treatment chemicals. To cope with this market environment, Kangda International Environmental Company Limited (the “Company”, together with its subsidiaries, the “Group”) continues to adopt a prudent business strategy aimed at enhancing liquidity. On one hand, it tightly controls construction project expenditures, increases wastewater treatment capacity and revenue through the completion of selected new and expansion projects, and reduces the impact of rising costs through various energy-saving and consumption-reducing measures. At the same time, it seizes the opportunity of declining domestic interest rates to optimise the loan portfolio and control financing costs, thereby strengthening the profitability of the Group from multiple aspects.

For the six months ended 30 June 2024 (“the Current Period”), total revenue increased by approximately 2.0% to RMB1,115.5 million, mainly driven by the new and expanded wastewater treatment facilities put into operation during the Current Period. Due to the increase in operating costs and the completion of new projects leading to higher depreciation and amortisation expenses, the overall gross profit margin for the Current Period was 48.8%, representing a slight decrease of 1 percentage point over the same period last year. The overall gross profit was RMB544.5 million, remaining basically flat as compared to the same period last year. Thanks to the reduction in financing costs and cost-saving measures, the profit attributable to owners of the parent for the Current Period increased significantly by 32.8% over the corresponding period last year, amounting to RMB108.6 million.

The actual wastewater treatment volume for the Current Period reached 624.1 million tonnes, representing an increase of approximately 2.6% compared to the same period last year, and the utilization rate of the wastewater treatment plant remained at a relatively high level of 84%. The net operating cash inflow for the Current Period was RMB160.9 million, reaching the highest level of interim periods since 2017. In respect of financing activities, due to the general decline in domestic interest rates, the average interest rate for the Current Period was 5.53%, representing a significant decrease of 0.53 percentage points over the same period last year, resulting in a reduction of approximately 6.3% in financing costs over the same period last year, to RMB274.2 million. As at 30 June 2024, the proportion of long-term borrowings to total borrowings was 65.2%, with a balanced and stable ratio of long-term and short-term debts. The current ratio at the end of the Current Period was 1.19, being the Group’s best level in recent years.

During the period, the central government continued to improve and optimise policies related to public utilities and environmental protection industry, and successively issued policy documents such as the “The Administrative Measures for Infrastructure and Public Utilities Concession” (基礎設施和公用事業特許經營管理辦法) and the “Notice on Strengthening the Construction and Operation Maintenance of Urban Domestic Wastewater Pipe Networks” (關於加強城市生活污水管網建設和運行維護的通知), emphasising the maintenance of a fair competitive market order, setting specific goals for enhancing the comprehensive efficiency of urban domestic wastewater collection and treatment, and encouraging financial institutions to provide financing support for wastewater construction projects. The Group believes that the domestic environmental protection industry will continue to grow steadily and healthily, and it is expected that price adjustments will normalise to reasonably offset rising costs.

DEVELOPMENT STRATEGIES AND FUTURE DEVELOPMENT

The NDRC recently issued the “Notice on Fully Promoting the Regular Issuance of Real Estate Investment Trusts (REITs) Projects in the Infrastructure Sector” (關於全面推動基礎設施領域不動產投資信托基金(REITs)項目常態化發行的通知), promoting the regular issuance of REITs. The Group will actively revitalise existing assets through the REITs mechanism when suitable opportunities arise. Additionally, The People’s Bank of China also announced a recent reduction in the loan prime rate and the downtrend is expected to continue, which will effectively reduce the Group’s financing costs. The Group will continue to enhance the profitability of existing projects through upgrading, expansion, and striving for reasonable adjustments in wastewater treatment tariff; regarding accounts receivable, the Group will make every effort to collect and actively seek and promote diversified solutions to strengthen operational cash flow from multiple aspects. The Group will continue to deepen energy saving and consumption reduction measures, contributing to the improvement of national ecological environment quality while increasing operational efficiency and strictly controlling operational cost, and strive for better returns for Shareholders.

BUSINESS REVIEW

During the six months ended 30 June 2024 (the “Reporting Period”), the Group’s principal business activities remained focusing on the Urban Water Treatment, followed by the existing projects of Water Environment Comprehensive Remediation and the Rural Water Improvement.

The scope of Urban Water Treatment includes the design, construction, upgrade and operation of WTPs, RWTPs, STPs, WDPs, and in the operation and maintenance of wastewater treatment facilities entrusted by governments (the “O&M”). The Group’s business has covered the overall industry chain in Urban Water Treatment industry by executing contracts of BOT, TOT, Public-Private-Partnership (the “PPP”), Build-Own-Operate (the “BOO”), EPC and O&M. The Group had 105 service concession arrangement projects under operation while its operational treatment capacity was over 4 million tons per day as at 30 June 2024.

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

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

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

1.1 Urban Water Treatment

As at 30 June 2024, the Group had entered into a total of 112 service concession arrangements projects, including 106 wastewater treatment plants, 1 water distribution plant, 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 2024 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	4,074,500	–	65,000	550	4,140,050
Not yet start operation/ Not yet transferred	190,500	30,000	–	–	220,500
Total	<u>4,265,000</u>	<u>30,000</u>	<u>65,000</u>	<u>550</u>	<u>4,360,550</u>
<i>(Number of projects)</i>					
In operation	100	–	2	3	105
Not yet start operation/ Not yet transferred	6	1	–	–	7
Total	<u>106</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>112</u>

	Number of projects	Treatment capacity (Tonnes/Day)	Actual processing volume during the six months ended 30 June 2024 (Million Tonnes)
Wastewater treatment services			
Shandong	47	1,270,000	176.5
Henan	23	1,060,000	153.3
Heilongjiang	6	425,000	73.1
Shanxi	2	350,000	57.4
Zhejiang	2	250,000	45.1
Guangdong	4	220,000	34.1
Anhui	3	175,000	29.1
Jiangsu	5	100,000	17.5
Other provinces/municipalities*	14	415,000	36.3
	106	4,265,000	622.4
Water distribution services	1	30,000	–
Reclaimed water treatment services	2	65,000	1.7
Total	109	4,360,000	624.1
Sludge treatment services	3	550	–
Total	112	4,360,550	624.1

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

1.1.1 Operation Services

As at 30 June 2024, the Group had 100 wastewater treatment projects, 2 reclaimed water treatment projects and 3 sludge treatment projects in operation in Chinese Mainland. 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 2024 reached 4,074,500 tonnes (2023: 4,024,500 tonnes), 65,000 tonnes (2023: 65,000 tonnes), and 550 tonnes (2023: 550 tonnes), respectively. For the six months ended 30 June 2024, the annualized utilization rate for wastewater and reclaimed water treatment plants in operation was approximately 84% (six months ended 30 June 2023: 82%). The actual average water treatment tariff for the six months ended 30 June 2024 was approximately RMB1.61 per tonne (2023: approximately RMB1.59 per tonne). The actual aggregate processing volume for the six months ended 30 June 2024 was 624.1 million tonnes, representing a minor increase of 3% as compared to the same period last year (six months ended 30 June 2023: 608.4 million tonnes).

Total operation revenue of the Group's Urban Water Treatment services recorded for the six months ended 30 June 2024 was RMB621.7 million, representing a minor increase of approximately 4% as compared to the same period of last year (six months ended 30 June 2023: RMB599.3 million). The corresponding increase was primarily due to the increase in the daily wastewater treatment capacity, and the increased operation numbers of upgrade projects.

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 recognized by using the percentage-of-completion method.

For the six months ended 30 June 2024, construction revenue was recognised for 21 projects, including 17 wastewater treatment plants, 1 water distribution plant, 1 reclaimed water treatment plant, and 2 sludge treatment plants, which were mainly located in Shandong, Shanxi provinces and Tianjin city in Chinese Mainland. Total construction revenue of those projects for the six months ended 30 June 2024 was RMB88.5 million, representing a year-on-year increase of approximately 31% (six months ended 30 June 2023: RMB67.7 million). The corresponding increase was primarily due to more construction cost incurred for the projects which were commenced operation this period. As at 30 June 2024, the total daily treatment capacity of the service concession arrangements plants, which were still in the construction stage, was 50,500 tonnes, including 20,500 tonnes of wastewater treatment plants and 30,000 tonnes of water distribution plant.

1.2 Water Environment Comprehensive Remediation

In the first half of 2024, the Group continued to devote efforts to implementing the existing projects of Water Environment Comprehensive Remediation. As at 30 June 2024, 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 2 Water Environment Comprehensive Remediation projects under construction during the six months ended 30 June 2024. The projects were mainly located in Jiangxi province in Chinese Mainland. For the six months ended 30 June 2024, total revenue of those projects was RMB13.8 million, representing a decrease of approximately 50% as compared to the same period last year (six months ended 30 June 2023: RMB27.7 million). The corresponding decrease was primarily due to the completion of most existing EPC projects.

1.3 Rural Water Improvement

The Group had 2 Rural Water Improvement projects during the six months ended 30 June 2024. The projects were located in Guangdong province in Chinese Mainland. For the six months ended 30 June 2024, total revenue of those projects was RMB24.1 million, representing a year-on-year decrease of approximately 18% (six months ended 30 June 2023: RMB29.3 million). The corresponding decrease was primarily due to net impact of the decrease in the construction revenue and the increased operation revenue due to the commenced operation of these two projects.

FINANCIAL ANALYSIS

Revenue

For the six months ended 30 June 2024, the Group recorded a revenue of RMB1,115.5 million, representing an increase of RMB22.4 million as compared to the previous corresponding period of RMB1,093.1 million. The increase was mainly due to the increase in operation revenue of RMB23.6 million, and the decrease in financial income from service concession arrangements of RMB1.4 million. 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 decrease in financial income from service concession arrangements was mainly due to the decrease in the financial assets.

Cost of Sales

The Group's cost of sales for the six months ended 30 June 2024 amounted to RMB571.0 million, including construction costs of RMB79.1 million and operation costs of water treatment plants of RMB491.9 million, representing an increase of approximately 4% as compared to the previous corresponding period of RMB548.3 million. The increase was mainly due to the increase in operation costs of RMB35.5 million and the decrease in construction cost of RMB12.8 million. The increase in operation cost was mainly due to the increased operation numbers of upgrade and expansion projects, and the increases in costs of amortization, wastewater treatment chemicals, etc. The decrease in construction costs was mainly due to the completion of most existing projects for Water Environment Comprehensive Remediation services and Rural Water Improvement services.

Gross Profit Margin

For the six months ended 30 June 2024, the Group's gross profit margin was approximately 49%, representing a decrease of 1 percentage point as compared to the previous corresponding period of approximately 50%. The decrease was primarily due to the decrease in the operation gross profit margin this period.

Other Income and Gains

The Group recorded other income and gains of RMB38.4 million for the six months ended 30 June 2024, representing an increase of approximately 34% as compared to the previous corresponding period of RMB28.7 million. The amount for the Reporting Period primarily included government grants of RMB7.3 million, which mainly comprised of VAT refund under “Notice on the Issuing of the Catalogue of Value-Added Tax Preferences for Products and Labor Services Involving the Comprehensive Utilization of Resources (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, net debt restructuring income of RMB15.4 million, bank interest income of RMB1.1 million, interest income of RMB9.7 million from loans to a third party, a joint venture, and an associate, and investment income of RMB1.4 million.

Administrative Expenses

The Group’s administrative expenses for the six months ended 30 June 2024 was RMB132.8 million, representing a decrease of approximately 4% as compared to the previous corresponding period of RMB138.1 million. The decrease was mainly due to the decrease in staff costs.

Finance Costs

The Group’s finance costs for the six months ended 30 June 2024 of RMB274.2 million mainly comprised interests on interest-bearing bank and other borrowings, representing a decrease of approximately 6% as compared to the previous corresponding period of RMB292.5 million. The decrease in finance costs was mainly due to the cut on benchmark interest rates. The average balance of interest-bearing bank and other borrowings increased by RMB270.7 million and the average interest rate was 5.53%, representing a decrease of 0.53 percentage points as compared to the previous corresponding period.

Share of Profits and Losses of Associates

The Group's share of profits of associates for the six months ended 30 June 2024 was RMB0.1 million, representing a major decrease as compared to share of profits of associates of RMB0.9 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 2024 included the current PRC income tax of RMB20.2 million and deferred tax expenses of RMB27.0 million, which were RMB17.6 million and RMB29.0 million for the previous corresponding period, respectively. The Group's effective tax rate for the six months ended 30 June 2024 was approximately 31%, representing a decrease of 4 percentage points as compared with approximately 35% for the previous corresponding period, which was mainly due to the increase in effect of tax losses utilised from previous periods and the increase in effect of lower tax rates for specific provinces or enacted by local authority.

Financial Receivables

	As at	
	30 June 2024 <i>RMB'000</i>	31 December 2023 <i>RMB'000</i>
Receivables for service concession arrangements	12,046,262	11,592,250
Portion classified as current	<u>(2,093,122)</u>	<u>(2,079,291)</u>
Non-current portion	<u>9,953,140</u>	<u>9,512,959</u>

As at 30 June 2024, the Group's financial receivables of RMB12,046.3 million (31 December 2023: RMB11,592.3 million) increased by RMB454.0 million, which was mainly due to the increase in financial receivables which were reclassified from contract assets once the construction and upgrade period is ended for the water treatment projects.

Contract Assets

	As at	
	30 June 2024 RMB'000	31 December 2023 RMB'000
Contract assets	790,478	1,254,996
Portion classified as current	<u>(48,534)</u>	<u>(77,629)</u>
Non-current portion	<u>741,944</u>	<u>1,177,367</u>

As at 30 June 2024, the Group's contract assets of RMB790.5 million (31 December 2023: RMB1,255.0 million), decreased by RMB464.5 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 Receivables

As at 30 June 2024, the Group's trade receivables of RMB3,076.0 million (31 December 2023: RMB2,808.5 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 RMB267.5 million, mainly due to (i) the increase in Urban Water Treatment projects receivables of approximately RMB279.7 million, (ii) the net decrease of Water Environment Comprehensive Remediation projects receivables of approximately RMB16.9 million, which included EPC project receivables of approximately RMB7.8 million arising from the progress billing and cash collected from EPC projects of approximately RMB24.7 million, and (iii) the increase in Rural Water Improvement projects receivables of approximately RMB19.5 million.

Prepayments, Other Receivables and Other Assets

As at 30 June 2024, the Group's prepayments, other receivables and other assets of RMB760.6 million (31 December 2023: RMB929.0 million) decreased by RMB168.4 million, mainly arising from the decrease in receivables of disposal an associate of approximately RMB144.9 million, the decrease in loans to a third party of RMB10.0 million, the decrease in prepayments and deposits of approximately RMB13.7 million related to the construction of wastewater treatment plants, and the increase in deductible input VAT of approximately RMB1.5 million.

Cash and Cash Equivalents

As at 30 June 2024, the Group's cash and cash equivalents of RMB300.2 million (31 December 2023: RMB248.4 million) increased by RMB51.8 million as compared with that as at the end of previous period. The increase was mainly due to the increase in cash inflows in operating and investing activities of the Group.

	For the six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Net cash flows from operating activities ⁽¹⁾	160,900	10,005
Net cash flows from investing activities	178,816	14,496
Net cash flows used in financing activities	(287,630)	(54,475)
Net increase/(decrease) in cash and cash equivalents	52,086	(29,974)
Effect of foreign exchange rate changes	(201)	2,982
Cash and cash equivalents at beginning of the period	248,360	196,938
Cash and cash equivalents at end of the period	300,245	169,946

Note:

- (1) For the six months ended 30 June 2024 and 2023, the Group invested RMB93.7 million and RMB167.1 million, respectively, in the Group's BOT/TOT and PPP projects. Such investments were accounted for as cash flows used in operating activities. Under the relevant accounting treatment, part of such cash outflows used in operating activities was used to form the non-current portion of financial receivables and contract assets in the Group's interim condensed consolidated statement of financial position. For the six months ended 30 June 2024 and 2023, the Group would have incurred cash inflows of RMB254.6 million and RMB177.1 million, respectively, if the Group's investments in BOT/TOT and PPP activities were not accounted for as cashflows used in operating activities.

Trade and Bills Payables

As at 30 June 2024, the Group's trade and bills payables of RMB1,966.2 million (31 December 2023: RMB2,013.5 million) decreased by RMB47.3 million, which was in line with the execution of the Group's construction work in progress and the settlements.

Other Payables and Accruals

As at 30 June 2024, the Group's other payables and accruals of RMB149.8 million (31 December 2023: RMB207.9 million), decreased by RMB58.1 million, which was mainly due to the decrease in payables for the acquisitions, decrease in amounts due to related parties, which were partially offset by the increase in salary and welfare payables and other operational payables.

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 2024, the carrying amount of the Group's cash and cash equivalents was RMB300.2 million, representing an increase of approximately RMB51.8 million as compared to RMB248.4 million as at 31 December 2023, which was mainly due to the net cash inflows of RMB160.9 million from operating activities, the net cash outflows used in financing activities of RMB287.6 million, cash outflows of RMB28.4 million for purchases of property, plant and equipment and intangible assets in investing activities, cash inflows of RMB50.9 million for decrease in pledged deposits, the cash inflows of RMB10.0 million for decrease in loans to a third party, cash inflows of RMB1.4 million for investment income, and cash inflows of RMB144.9 million for disposal an associate from investing activities.

As at 30 June 2024, the Group's total interest-bearing debts increased to RMB9,921.3 million (31 December 2023: RMB9,917.0 million), which comprised of bank and other borrowings only. As at 30 June 2024, 65.2% (31 December 2023: 64.7%) of the Group's interest-bearing debts are long term; over 67% of interest-bearing bank and other borrowings bear interest at floating rates.

As at 30 June 2024, the Group had banking facilities amounting to RMB58,732.1 million, of which RMB50,614.9 million have not been utilized. The unutilized amount of RMB49,192.0 million were mainly limited to be utilized on environmental protection infrastructure and comprehensive management.

As at 30 June 2024, the gearing ratio of the Group (calculated by total liabilities divided by total assets) slightly decreased to 69.2%, while the gearing ratio was 69.6% as at the corresponding period last year.

Charges on the Group's Assets

Outstanding balance of interest-bearing bank and other borrowings as at 30 June 2024 was approximately RMB9,921.3 million, which were repayable within two months to twenty-one years and were secured by financial receivables, service concession intangible assets, property, plant and equipment, investment properties, trade receivables, and contract assets of which the total amounts of the pledge of assets amounted to RMB11,360.5 million.

EMPLOYEES AND REMUNERATION POLICIES

The Group had 2,298 employees as at 30 June 2024. 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 2024, the Group did not have any significant contingent liabilities (31 December 2023: 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 2024, 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 2024.

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 Part 2 of Appendix C1 to 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 2024, 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 2024 (six months ended 30 June 2023: Nil).

AUDIT COMMITTEE AND REVIEW OF THE INTERIM RESULTS

The Company has established an audit committee (the “Audit Committee”) to assist the Board in providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems, overseeing the audit process, monitor, review and assist in the research of the Company’s environmental, social and governance matters, and performing other duties and responsibilities as assigned by the Board. As at 30 June 2024, 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 2024. 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.

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 C3 to 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 2024.

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

During the six months ended 30 June 2024, 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 and the website of the Company at www.kangdaep.com. The interim report of the Group for the six months ended 30 June 2024 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Company's shareholders in due course.

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

Hong Kong, 29 August 2024

As at the date of this announcement, the Board comprises 8 Directors, namely Mr. ZHAO Juanxian (alias, ZHAO Junxian), Mr. LI Zhong, Ms. LIU Yujie, Mr. DUAN, Jerry Linnan and Mr. Zhou Wei as executive Directors; and Mr. CHAU Kam Wing, Mr. CHANG Qing and Mr. PENG Yongzhen as independent non-executive Directors.