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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 2023**

**HIGHLIGHTS**

- Revenue was approximately RMB1,093.1 million, representing a decrease of 34.2% over the corresponding period last year mainly owing to the decrease in revenue from construction services.
- Gross profit was RMB544.8 million, representing a decrease of 24.2% over the corresponding period last year. Due to the increases in the proportion of operating services revenue, gross profit margin increased to 49.8% comparing with 43.2% for the corresponding period last year.
- Profit attributable to owners of the parent was RMB81.8 million, representing a decrease of 59.5% over the corresponding period last year due to the decrease in total revenue comparing with the corresponding period last year.
- Basic and diluted earnings per share attributable to ordinary equity holders of the parent was RMB3.82 cents, representing a decrease of 59.5% as compared with RMB9.44 cents over the corresponding period last year.
- Net cash inflow from operating activities maintained positive and recorded RMB10.0 million, representing a decrease of 92.9% over the corresponding period last year.
- The Board did not recommend the payment of interim dividend for the six months ended 30 June 2023.

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 2023 (the “Reporting Period”) together with the comparative figures for the corresponding period in 2022 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 2023*

		<b>For the six months ended 30 June</b>	
	<i>Notes</i>	<b>2023</b>	2022
		<b>RMB'000</b>	RMB'000
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>REVENUE</b>	4	<b>1,093,082</b>	1,661,383
Cost of sales		<u>(548,257)</u>	<u>(942,926)</u>
Gross profit		<b>544,825</b>	718,457
Other income and gains	5	<b>28,701</b>	26,403
Selling and distribution expenses		<b>(526)</b>	(447)
Administrative expenses		<b>(138,060)</b>	(137,354)
Other expenses		<b>(12,910)</b>	(48,241)
Finance costs	6	<b>(292,542)</b>	(280,250)
Share of profits and losses of:			
Associates		<b>900</b>	(582)
Joint ventures		<b>940</b>	(2,317)
<b>PROFIT BEFORE TAX</b>	7	<b>131,328</b>	275,669
Income tax expense	8	<u>(46,610)</u>	<u>(73,263)</u>
<b>PROFIT FOR THE PERIOD</b>		<u><b>84,718</b></u>	<u>202,406</u>
Profit attributable to:			
Owners of the parent		<b>81,801</b>	202,029
Non-controlling interests		<u><b>2,917</b></u>	<u>377</u>
		<u><b>84,718</b></u>	<u>202,406</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
— Basic and diluted	9	<u><b>RMB 3.82 cents</b></u>	<u>RMB 9.44 cents</u>

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

*For the six months ended 30 June 2023*

	<b>For the six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>OTHER COMPREHENSIVE INCOME</b>		
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	<b>4,000</b>	44,000
Income tax effect	<b>(600)</b>	(6,600)
	<b>3,400</b>	37,400
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b>3,400</b>	37,400
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>88,118</b>	239,806
Total comprehensive income attributable to:		
Owners of the parent	<b>85,201</b>	239,429
Non-controlling interests	<b>2,917</b>	377
	<b>88,118</b>	239,806

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF  
FINANCIAL POSITION**

30 June 2023

		<b>30 June 2023</b>	31 December 2022
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		55,647	59,006
Investment properties		10,799	11,218
Investments in associates		381,443	381,131
Investments in joint ventures		79,359	78,419
Service concession intangible assets		1,403,114	1,436,965
Other intangible assets		1,972	2,171
Contract assets		1,360,506	1,508,393
Goodwill		58,325	58,325
Financial receivables	10	9,416,068	9,244,530
Deferred tax assets		81,530	75,058
Right-of-use assets		1,477	1,435
Prepayments, other receivables and other assets		73,910	73,754
		<u>12,924,150</u>	<u>12,930,405</u>
Total non-current assets			
<b>CURRENT ASSETS</b>			
Inventories		19,608	17,482
Contract assets		105,220	198,553
Equity investments designated at fair value through other comprehensive income		367,000	363,000
Financial receivables	10	2,015,725	1,961,955
Trade receivables	11	2,708,811	2,436,439
Prepayments, other receivables and other assets		700,791	674,372
Pledged deposits		140,427	186,561
Cash and cash equivalents		169,946	196,938
Other current financial assets		–	45
		<u>6,227,528</u>	<u>6,035,345</u>
Total current assets			

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

30 June 2023

	<i>Notes</i>	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	12	2,068,250	2,260,221
Other payables and accruals		259,048	257,076
Deferred income		965	1,930
Interest-bearing bank and other borrowings		3,055,516	2,879,809
Tax payable		59,676	59,403
		<u>5,443,455</u>	<u>5,458,439</u>
<b>NET CURRENT ASSETS</b>			
		<u>784,073</u>	<u>576,906</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<u>13,708,223</u>	<u>13,507,311</u>
<b>NON-CURRENT LIABILITIES</b>			
Trade payables	12	59	59
Interest-bearing bank and other borrowings		6,719,615	6,642,008
Other payables and accruals		30,177	31,026
Deferred tax liabilities		1,129,646	1,093,610
		<u>7,879,497</u>	<u>7,766,703</u>
Total non-current liabilities		<u>7,879,497</u>	<u>7,766,703</u>
Net assets		<u>5,828,726</u>	<u>5,740,608</u>
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital		17,125	17,125
Reserves		5,671,511	5,586,310
		<u>5,688,636</u>	<u>5,603,435</u>
Non-controlling interests		<u>140,090</u>	<u>137,173</u>
Total equity		<u>5,828,726</u>	<u>5,740,608</u>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

## 1. CORPORATE AND GROUP INFORMATION

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

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

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

### 2.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2023 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 2022.

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 2022, except for the adoption of the following new and revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

IFRS 17	<i>Insurance Contracts</i>
Amendments to IFRS 17	<i>Insurance Contracts</i>
Amendment to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 — Comparative Information</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform — Pillar Two Model Rules</i>

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below:

- (a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, 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 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments did not have any significant impact on the financial position of the Group as at 1 January 2022 and 31 December 2022 or its consolidated financial performance for the year ended 31 December 2022. The Group has adopted the amendments on temporary differences related to leases from 1 January 2023.
  
- (d) Amendments to IAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.



### 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 2023 (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	1,036,083	27,721	29,278	1,093,082
	1,036,083	27,721	29,278	1,093,082
<b>Segment results</b>	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
<b>Other segment information</b>				
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 30 June 2023 (Unaudited)	Urban Water Treatment RMB'000	Water Environment Comprehensive Remediation RMB'000	Rural Water Improvement RMB'000	Total RMB'000
<b>Segment assets</b>	16,299,149	1,416,017	657,978	18,373,144
<i>Reconciliation:</i>				
Corporate and other unallocated assets				778,534
Total assets				<u>19,151,678</u>
<b>Segment liabilities</b>	12,186,593	502,300	499,754	13,188,647
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				134,305
Total liabilities				<u>13,322,952</u>
<b>Other segment information</b>				
Investments in associates	–	233,489	–	233,489
Unallocated investments in associates				147,954
Investment in a joint venture	70,533	–	–	70,533
Unallocated investment in a joint venture				8,826
Capital expenditure	10,546	–	9,527	20,073
Unallocated amounts				4
Total capital expenditure*				<u>20,077</u>

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

### 3. OPERATING SEGMENT INFORMATION (continued)

For the six months ended 30 June 2022 (Unaudited)	Urban Water Treatment <i>RMB'000</i>	Water Environment Comprehensive Remediation <i>RMB'000</i>	Rural Water Improvement <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Segment revenue</b>				
Sales to external customers	1,619,071	6,554	35,758	1,661,383
	1,619,071	6,554	35,758	1,661,383
<b>Segment results</b>	364,214	19,813	1,989	386,016
<i>Reconciliation:</i>				
Unallocated income and gains				4,407
Share of losses of unallocated associates				(610)
Share of loss of an unallocated joint venture				(466)
Corporate and other unallocated expenses				(21,709)
Unallocated lease-related finance costs				(54)
Unallocated finance costs (other than interest on lease liabilities)				(91,915)
Profit before tax for the period				<u>275,669</u>
<b>Other segment information</b>				
Share of gain of an associate	–	28	–	28
Share of losses of unallocated associates				(610)
Share of loss of a joint venture	(1,851)	–	–	(1,851)
Share of loss of an unallocated joint venture				(466)
Depreciation and amortisation	32,839	52	6,485	39,376
Unallocated depreciation and amortisation				2,077
Total depreciation and amortisation				<u>41,453</u>

### 3. OPERATING SEGMENT INFORMATION (continued)

At 31 December 2022 (Audited)	Urban Water Treatment <i>RMB'000</i>	Water Environment Comprehensive Remediation <i>RMB'000</i>	Rural Water Improvement <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Segment assets</b>	16,067,718	1,422,044	673,140	18,162,902
<i>Reconciliation:</i>				
Corporate and other unallocated assets				<u>802,848</u>
Total assets				<u><u>18,965,750</u></u>
<b>Segment liabilities</b>	12,061,589	522,441	515,810	13,099,840
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				<u>125,302</u>
Total liabilities				<u><u>13,225,142</u></u>
<b>Other segment information</b>				
Investments in associates	–	233,924	–	233,924
Unallocated investments in associates				147,207
Investment in a joint venture	69,942	–	–	69,942
Unallocated investment in a joint venture				8,477
Capital expenditure	78,430	–	22,046	100,476
Unallocated amounts				<u>4</u>
Total capital expenditure*				<u><u>100,480</u></u>

\* Capital expenditure consists of additions to property, plant and equipment and intangible assets during the six months ended 30 June 2022.

#### 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 2023 is as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Revenue from contracts with customers</b>		
Revenue from construction services	99,979	613,583
Revenue from operating services	619,022	683,799
Financial income	374,081	364,001
	<u>1,093,082</u>	<u>1,661,383</u>

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

The aggregated revenue from construction services, operating services and financial income derived in Mainland China amounted to RMB1,093,082,000 and RMB1,661,383,000 for the six months ended 30 June 2023 and 2022, respectively.

#### 5. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Dividend income from equity investments designated at fair value through other comprehensive income	9,602	–
Government grants ( <i>note a</i> )	8,663	12,913
Interest income from loans to a third party	5,604	9,083
Bank interest income	1,702	1,578
Interest income from loans to a joint venture and an associate	725	408
Rental income less depreciation of investment properties	256	253
Investment income	1	7
Others	2,148	2,161
	<u>28,701</u>	<u>26,403</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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Interest on interest-bearing bank and other borrowings	292,490	280,196
Interest on lease liabilities	<u>52</u>	<u>54</u>
	<u>292,542</u>	<u>280,250</u>

## 7. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cost for construction services	91,873	476,913
Cost for operation services	456,384	466,013
Total of cost of sales	<u>548,257</u>	<u>942,926</u>
Depreciation of property, plant and equipment	2,979	3,690
Depreciation of investment properties	419	438
Depreciation of right-of-use assets	162	142
Amortisation of service concession intangible assets	47,560	36,980
Amortisation of other intangible assets	199	203
Impairment of financial receivables	42	(69)
Impairment of contract assets	23	100
Impairment of prepayments, other receivables and other assets	1,209	417
Impairment of trade receivables	9,059	7,143
Loss on disposal of a subsidiary	–	1,359
Exchange differences, net	<u>1,608</u>	<u>21,924</u>

## 8. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong for the six months ended 30 June 2023 (six months ended 30 June 2022: 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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current		
— Mainland China	17,646	14,880
Deferred	<u>28,964</u>	<u>58,383</u>
Income tax charge for the period	<u>46,610</u>	<u>73,263</u>



## 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 (2022: 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 2023 and 2022.

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

	<b>For the six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Earnings:</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	<b>81,801</b>	202,029
	<u><b>81,801</b></u>	<u>202,029</u>
	<b>Number of Shares</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2023</b>	<b>2022</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Shares:</b>		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	<b>2,139,735,000</b>	2,139,735,000
	<u><b>2,139,735,000</b></u>	<u>2,139,735,000</u>

## 10. FINANCIAL RECEIVABLES

	<b>30 June</b>	<b>31 December</b>
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Receivables for service concession arrangements	<b>11,434,021</b>	11,208,671
Impairment	<b>(2,228)</b>	(2,186)
	<u><b>11,431,793</b></u>	<u>11,206,485</u>
Portion classified as current assets	<b>(2,015,725)</b>	(1,961,955)
	<u><b>9,416,068</b></u>	<u>9,244,530</u>
Non-current portion		

## 10. FINANCIAL RECEIVABLES (continued)

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.

At 30 June 2023, the Group’s financial receivables with a carrying value of RMB7,358,123,000 (31 December 2022: RMB7,114,919,000) 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:

	<b>30 June 2023 RMB’000 (Unaudited)</b>	31 December 2022 RMB’000 (Audited)
Within 3 months	451,645	479,263
4 to 6 months	301,410	291,946
7 to 12 months	564,721	597,215
Over 12 months	<u>1,391,035</u>	<u>1,068,015</u>
	<u><b>2,708,811</b></u>	<u>2,436,439</u>

## 12. TRADE AND BILLS PAYABLES

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

	<b>30 June 2023</b>	31 December 2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Audited)
Within 3 months	<b>418,692</b>	629,083
4 to 6 months	<b>308,889</b>	255,423
7 to 12 months	<b>133,430</b>	296,107
Over 12 months	<b>1,207,298</b>	1,079,667
	<b><u>2,068,309</u></b>	<u>2,260,280</u>
Portion classified as current liabilities	<b><u>(2,068,250)</u></b>	<u>(2,260,221)</u>
Non-current portion	<b><u>59</u></b>	<u>59</u>

## 13. DIVIDEND

The board of directors did not recommend payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY OVERVIEW

In early 2023, under the full relaxation of pandemic prevention measures in Mainland China, people's lives have gradually returned to normal, yet economic activities have been recovering relatively slowly, exerting fiscal pressure on the local governments and indirectly delaying the adjustment of wastewater treatment prices. Meanwhile, the increase in operating costs such as electricity fees and cost of treatment chemicals has reduced the profitability of the domestic wastewater treatment and environmental protection industries. Under the current situation, Kangda International Environmental Company Limited (the "Company", together with its subsidiaries, the "Group") has adopted a prudent business approach by tightly controlling the expenses of construction works, reducing capital expenditure, minimizing the impact of rising costs through various energy saving and consumption reduction measures, and maintaining the level of cash holdings on the one hand, while optimizing the borrowing package and controlling the finance costs on the other hand.

For the six months ended 30 June 2023 (the "Current Period"), the total revenue decreased by approximately 34.2% to RMB1,093.1 million as compared to the same period of last year due to a decrease in revenue from construction services by RMB513.6 million (approximately 83.7%) to RMB100.0 million. As the proportion of revenue from construction services decreased, the overall gross profit margin for the Current Period was 49.8%, representing an increase of 6.6 percentage points over the same period of last year. The gross profit and profit attributable to owners of the parent for the Current Period decreased by 24.2% and 59.5% compared with the corresponding period last year to RMB544.8 million and RMB81.8 million respectively as a result of the decrease in total revenue.

The actual wastewater treatment volume for the Current Period reached 608.4 million tonnes, representing a slight increase compared with the same period last year, and the utilization rate of the WTPs remained at a relatively high level of 82%. The net operating cash inflow for the Current Period was RMB10.0 million, maintaining a positive balance. In respect of financing activities, the average interest rate for the Current Period was 6.06%, representing an increase of 0.25 percentage points over the same period last year, while the proportion of long-term borrowings to total borrowings increased to 68.7%.

During the period, the central government continued to concern about the healthful development of the wastewater treatment and water resources industries and issued policy documents such as “Implementation Plan on Promoting the Construction and Management of Domestic Wastewater and Waste Treatment Facilities in Established Towns” (《關於推進建制鎮生活污水垃圾處理設施建設和管理的實施方案》), the “Outline of the National Water Network Construction Plan”(《國家水網建設規劃綱要》). In addition, in order to promote economic development and support private enterprises, the “Opinions of the State Council of the Central Committee of the Communist Party of China on Promoting the Development and Strengthening of the Private Economy”(《中共中央國務院關於促進民營經濟發展壯大的意見》) and the “Notice on the National Development and Reform Commission and Other Departments on Implementing Certain Measures to Promote the Development of the Private Economy in the Near Future” (《國家發展改革委等部門關於實施促進民營經濟發展近期若干舉措的通知》) have also been published recently, which focuses on improving the business environment and promoting fair access, and explicitly proposes to expand the issuance scale of Real Estate Investment Trusts (“REITs”) in the infrastructure field, and to promote the issuance of REITs in infrastructure by qualified private investment projects, so as to further expand the private investments. The Group believes that the business environment will improve and the overall profit of the wastewater treatment industry will increase.

## **DEVELOPMENT STRATEGIES AND FUTURE DEVELOPMENT**

As the central government more actively encourages the development of REITs, the Group will actively consider opportunities taking into account the market conditions and the Group’s financial position and will look forward to participating in suitable opportunities in the future. In the future, the Group will continue to focus on our main business, namely wastewater treatment. With the revenue from operating services as the main driving force, the Group will increase the profitability of the existing projects and improve the operational cash flows of the Group by raising wastewater treatment standards and expansion. The Group will continue deepening energy saving and consumption reduction measures, contributing to the improvement of the national ecological environment quality while enhancing the operational efficiency and controlling operating costs. The Group will also speed up the process of activating low efficiency assets to maximize return for our shareholders.

## **BUSINESS REVIEW**

During the six months ended 30 June 2023, 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 101 service concession arrangement projects under operation while its operational treatment capacity was over 4 million tons per day as at 30 June 2023.

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 2023, 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 2023 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	3,989,500	–	65,000	550	4,055,050
Not yet start operation/ Not yet transferred	275,500	30,000	–	–	305,500
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	96	–	2	3	101
Not yet start operation/ Not yet transferred	10	1	–	–	11
Total	<u>106</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>112</u>

	<b>Number of projects</b>	<b>Treatment capacity</b> <i>(Tonnes/Day)</i>	<b>Actual processing volume during the six months ended 30 June 2023</b> <i>(Million Tonnes)</i>
<b>Wastewater treatment services</b>			
Shandong	47	1,270,000	175.4
Henan	23	1,060,000	159.0
Heilongjiang	6	425,000	66.3
Shanxi	2	350,000	51.8
Zhejiang	2	250,000	42.7
Guangdong	4	220,000	33.0
Anhui	3	175,000	28.3
Jiangsu	5	100,000	16.7
Other provinces/municipalities*	14	415,000	32.8
	106	4,265,000	606.0
<b>Water distribution services</b>	1	30,000	–
<b>Reclaimed water treatment services</b>	2	65,000	2.4
<b>Total</b>	<b>109</b>	<b>4,360,000</b>	<b>608.4</b>
<b>Sludge treatment services</b>	3	550	–
<b>Total</b>	<b>112</b>	<b>4,360,550</b>	<b>608.4</b>

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



### *1.1.1 Operation Services*

As at 30 June 2023, the Group had 96 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 2023 reached 3,989,500 tonnes (2022: 3,989,500 tonnes), 65,000 tonnes (2022: 65,000 tonnes), and 550 tonnes (2022: 550 tonnes), respectively. For the six months ended 30 June 2023, the annualized utilization rate for wastewater and reclaimed water treatment plants in operation was approximately 82% (2022: 82%). The actual average water treatment tariff for the six months ended 30 June 2023 was approximately RMB1.57 per tonne (2022: approximately RMB1.56 per tonne). The actual aggregate processing volume for the six months ended 30 June 2023 was 608.4 million tonnes, representing a minor increase as compared to the same period last year (six months ended 30 June 2022: 602.6 million tonnes).

Total operation revenue of the Group's Urban Water Treatment services recorded for the six months ended 30 June 2023 was RMB599.3 million, representing a decrease of approximately 11% as compared to the same period of last year (six months ended 30 June 2022: RMB670.1 million). The corresponding decrease was primarily due to the decrease in one-off operation revenue of some 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 recognised by using the percentage-of-completion method.

For the six months ended 30 June 2023, construction revenue was recognised for 24 projects, including 20 wastewater treatment plants, 1 water distribution plant, 1 reclaimed water treatment plant, and 2 sludge treatment plants, which were mainly located in Shandong and Henan provinces in Mainland China. Total construction revenue of those projects for the six months ended 30 June 2023 was RMB67.7 million, representing a year-on-year decrease of approximately 89% (six months ended 30 June 2022: RMB589.4 million). The corresponding decrease was primarily due to a decrease in the project numbers during the main construction period. As at 30 June 2023, the total daily treatment capacity of the service concession arrangements plants, which were still in the construction stage, was 140,500 tonnes, including 110,500 tonnes of wastewater treatment plants and 30,000 tonnes of water distribution plant.

## **1.2 Water Environment Comprehensive Remediation**

In the first half of 2023, the Group continued to devote efforts to implementing the existing projects of Water Environment Comprehensive Remediation. As at 30 June 2023, 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 4 Water Environment Comprehensive Remediation projects under construction during the six months ended 30 June 2023. The projects were mainly located in Jiangxi province in Mainland China. For the six months ended 30 June 2023, total revenue of those projects was RMB27.7 million, representing a significant increase as compared to the same period last year (six months ended 30 June 2022: RMB6.6 million). The corresponding increase was primarily due to the contribution of one newly signed project which was executed from the second half of last year.

## **1.3 Rural Water Improvement**

The Group had 2 Rural Water Improvement projects during the six months ended 30 June 2023. The projects were located in Guangdong province in Mainland China. For the six months ended 30 June 2023, total revenue of those projects was RMB29.3 million, representing a year-on-year decrease of approximately 18% (six months ended 30 June 2022: RMB35.8 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 2023, the Group recorded a revenue of RMB1,093.1 million, representing a decrease of RMB568.3 million as compared to the previous corresponding period of RMB1,661.4 million. The decrease was mainly due to the decrease in construction revenue of RMB513.6 million, the decrease in operation revenue of RMB64.8 million, and the increase in financial income of RMB10.1 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 execution of newly signed EPC projects of Water Environment Comprehensive Remediation services, and commenced operation of PPP projects of Rural Water Improvement services. The decrease in operation revenue was mainly due to the decrease in one-off operation revenue of some 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 2023 amounted to RMB548.3 million, including construction costs of RMB91.9 million and operation costs of water treatment plants of RMB456.4 million, representing a decrease of approximately 42% as compared to the previous corresponding period of RMB942.9 million. The decrease was due to the decrease of in operation costs of RMB9.6 million and the decrease in construction cost of RMB385.0 million. The decrease in operation cost was mainly due to the net impact of the decrease of one-off operation cost and the increases in costs of amortization, wastewater treatment chemicals, etc. The decrease in construction costs was mainly due to the decrease in the construction work of existing upgrade and expansion projects which was in line with the decrease in construction revenue.

### **Gross Profit Margin**

For the six months ended 30 June 2023, the Group's gross profit margin was approximately 50%, representing an increase of 7 percentage points as compared to the previous corresponding period of approximately 43%. The increase was primarily due to the decrease in the proportion of construction revenue this period.

## **Other Income and Gains**

The Group recorded other income and gains of RMB28.7 million for the six months ended 30 June 2023, representing an increase of approximately 9% as compared to the previous corresponding period of RMB26.4 million. The amount for the Reporting Period primarily included government grants of RMB8.7 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 RMB1.7 million, interest income of RMB6.3 million from loans to a third party, a joint venture, and an associate, and dividend income of RMB9.6 million.

## **Administrative Expenses**

The Group’s administrative expenses for the six months ended 30 June 2023 was RMB138.1 million, representing a slight increase as compared to the previous corresponding period of RMB137.4 million.

## **Finance Costs**

The Group’s finance costs for the six months ended 30 June 2023 of RMB292.5 million mainly comprised interests on interest-bearing bank and other borrowings, representing an increase of approximately 4% as compared to the previous corresponding period of RMB280.3 million. The increase in finance costs was mainly due to the increase in the proportion of long-term interest-bearing bank and other borrowings which bore a relatively higher rate than the short-term one. The average balance of interest-bearing bank and other borrowings decreased by RMB2.6 million and the average interest rate was 6.06%, representing an increase of 0.25 percentage points as compared to that in the previous corresponding period. The increase in average interest rate was mainly due to the increase in the proportion of long-term interest-bearing bank and other borrowings. 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.

\* *For identification purposes only*

## Share of Profits and Losses of Associates

The Group's share of profits of associates for the six months ended 30 June 2023 was RMB0.9 million, representing a major increase as compared to share of losses of associates of RMB0.6 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 2023 included the current PRC income tax of RMB17.6 million and deferred tax expenses of RMB29.0 million, which were RMB14.9 million and RMB58.4 million for the previous corresponding period, respectively. The Group's effective tax rate for the six months ended 30 June 2023 was approximately 35%, representing an increase of 8 percentage points as compared with approximately 27% for the previous corresponding period, which was mainly due to the increase in effect of tax losses not recognised in the Reporting Period.

## Financial Receivables

	As at	
	30 June 2023	31 December 2022
	RMB'000	RMB'000
Receivables for service concession arrangements	11,431,793	11,206,485
Portion classified as current	<u>(2,015,725)</u>	<u>(1,961,955)</u>
Non-current portion	<u>9,416,068</u>	<u>9,244,530</u>

As at 30 June 2023, the Group's financial receivables of RMB11,431.8 million (31 December 2022: RMB11,206.5 million) increased by RMB225.3 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 2023	31 December 2022
	RMB'000	RMB'000
Contract assets	1,465,726	1,706,946
Portion classified as current	<u>(105,220)</u>	<u>(198,553)</u>
Non-current portion	<u>1,360,506</u>	<u>1,508,393</u>

As at 30 June 2023, the Group's contract assets of RMB1,465.7 million (31 December 2022: RMB1,706.9 million), decreased by RMB241.2 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 2023, the Group's trade receivables of RMB2,708.8 million (31 December 2022: RMB2,436.4 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 RMB272.4 million, mainly due to (i) the increase in Urban Water Treatment projects receivables of approximately RMB287.9 million, (ii) the net decrease of Water Environment Comprehensive Remediation projects receivables of approximately RMB23.4 million, which included EPC projects receivables of approximately RMB24.6 million arising from the progress billing and cash collected from EPC projects of approximately RMB48.0 million, and (iii) the increase in Rural Water Improvement projects receivables of approximately RMB17.0 million.

## Prepayments, Other Receivables and Other Assets

As at 30 June 2023, the Group's prepayments, other receivables and other assets of RMB774.7 million (31 December 2022: RMB748.1 million) increased by RMB26.6 million, mainly arising from the increase in deductible input VAT of approximately RMB27.1 million, the increase in loans to an associate of RMB11.0 million, the increase in dividend receivables of RMB9.6 million, the decrease in loans to a third party of RMB15.5 million, the decrease in prepayments and deposits of approximately RMB4.2 million related to the construction of wastewater treatment plants, and the decrease in other operational receivables and staff advances of approximately RMB0.3 million.

## Cash and Cash Equivalents

As at 30 June 2023, the Group's cash and cash equivalents of RMB169.9 million (31 December 2022: RMB196.9 million) decreased by RMB27.0 million as compared with that as at the end of previous period. The decrease was due to the increase in cash outflows in financing activities of the Group.

	For the six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Net cash flows from operating activities <sup>(1)</sup>	10,005	140,146
Net cash flows from investing activities	14,496	71,466
Net cash flows (used in)/from financing activities	(54,475)	60,106
Net(decrease)/increase in cash and cash equivalents	(29,974)	271,718
Effect of foreign exchange rate changes	2,982	(258)
Cash and cash equivalents at beginning of the period	196,938	289,898
Cash and cash equivalents at end of the period	169,946	561,358

Note:

- (1) For the six months ended 30 June 2023 and 2022, the Group invested RMB167.1 million and RMB142.0 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 2023 and 2022, the Group would have incurred cash inflows of RMB177.1 million and RMB282.1 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 2023, the Group's trade and bills payables of RMB2,068.3 million (31 December 2022: RMB2,260.2 million) decreased by RMB191.9 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 2023, the Group's other payables and accruals of RMB289.2 million (31 December 2022: RMB288.1 million), increased by RMB1.1 million, which was mainly due to the net impact of increase in other operational payables and the settlement of acquisition 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 2023, the carrying amount of the Group's cash and cash equivalents was RMB169.9 million, representing a decrease of approximately RMB27.0 million as compared to RMB196.9 million as at 31 December 2022, which was mainly due to the net cash inflows of RMB10.0 million from operating activities, the net cash outflows used in financing activities of RMB54.5 million, cash outflows of RMB37.1 million for purchases of property, plant and equipment and intangible assets in investing activities, cash inflows of RMB46.1 million for decrease in pledged deposits, the net cash inflows of RMB4.3 million for decrease in loans to a third party and increase in loans to an associate, cash inflows of RMB0.6 million for dividend collected from an associate, repurchase of other current financial assets of RMB0.1million, and cash inflows of RMB0.5 million for disposal of property, plant and equipment and intangible assets from investing activities.

As at 30 June 2023, the Group's total interest-bearing debts increased to RMB9,775.1 million (31 December 2022: RMB9,521.8 million), which comprised of bank and other borrowings only. As at 30 June 2023, 68.7% (31 December 2022: 69.8%) of the Group's interest-bearing debts are long term; over 74% of interest-bearing bank and other borrowings bear interest at floating rates.

As at 30 June 2023, the Group had banking facilities amounting to RMB57,629.8 million, of which RMB49,525.9 million have not been utilized. The unutilized amount of RMB49,525.9 million were mainly limited to be utilized on environmental protection infrastructure and comprehensive management.

As at 30 June 2023, the gearing ratio of the Group (calculated by total liabilities divided by total assets) decreased to 69.6%, while the gearing ratio was 70.5% 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 2023 was approximately RMB9,775.1 million, which were repayable within one month to twenty-two years and were secured by financial receivables, service concession intangible assets, property, plant and equipment, trade receivables, contract assets and pledged deposits of which the total amounts of the pledge of assets amounted to RMB9,700.5 million.



## **EMPLOYEES AND REMUNERATION POLICIES**

The Group had 2,308 employees as at 30 June 2023. 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 2023, the Group did not have any significant contingent liabilities (31 December 2022: 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 2023, 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 2023.

## **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 14 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 2023, 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 2023 (six months ended 30 June 2022: 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 2023, 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 2023. 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 10 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 2023.

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

During the six months ended 30 June 2023, 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 2023 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, 31 August 2023

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