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 2016

HIGHLIGHTS

- Revenue was approximately RMB902.2 million, representing an increase of approximately 15% over the corresponding period last year.
- Basic and diluted earnings per share attributable to ordinary equity holders of the parent was RMB5.46 cents.
- As at 30 June 2016, total daily wastewater treatment capacity was 2,876,500 tonnes, representing an increase of 3.6% as compared with the capacity of 2,776,500 tonnes as at 31 December 2015.
- The Board did not recommend the payment of interim dividend for the six months ended 30 June 2016.

The board (the "Board") of directors (the "Directors") of Kangda International Environmental Company Limited (the "Company") is pleased to announce the unaudited consolidated interim financial results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2016 (the "Period") together with the comparative figures for the corresponding period in 2015 and the relevant explanatory notes as set out below.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six-month period ended 30 June 2016

		For the six-month period ended 30 June	
		2016	2015
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**902,186**	784,647
Cost of sales		**(524,675)**	(413,708)
Gross profit		**377,511**	370,939
Other income and gains	*5*	**47,153**	15,136
Selling and distribution expenses		**(4,993)**	(4,704)
Administrative expenses		**(105,436)**	(83,762)
Other expenses		**(17,537)**	–
Finance costs		**(131,378)**	(119,354)
Share of profit and loss of associates and a joint venture		**2,359**	3,171
PROFIT BEFORE TAX	*6*	**167,679**	181,426
Income tax expense	*7*	**(45,702)**	(39,979)
PROFIT FOR THE PERIOD		**121,977**	141,447
OTHER COMPREHENSIVE INCOME		**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**121,977**	141,447
Attributable to:			
Owners of the parent		**112,979**	137,474
Non-controlling interests		**8,998**	3,973
		121,977	141,447
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
		RMB	*RMB*
— Basic and diluted	*8*	**5.46 cents**	6.65 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2016

	Notes	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**83,556**	85,363
Investment properties		**1,721**	1,850
Investments in associates		**93,282**	58,582
Investment in a joint venture		**4,446**	–
Intangible assets		**4,099**	3,154
Goodwill		**59,954**	43,049
Financial receivables	*10*	**5,520,667**	4,850,068
Deferred tax assets		**54,615**	36,313
Prepayments and other receivables		**67,100**	154,960
Total non-current assets		**5,889,440**	5,233,339
CURRENT ASSETS			
Inventories		**6,357**	13,041
Construction contracts		**185,081**	181,360
Financial receivables	*10*	**1,119,742**	1,375,168
Trade and bills receivables	*11*	**556,123**	621,968
Prepayments, deposits and other receivables		**193,736**	179,544
Structured deposit		**–**	450,400
Pledged deposits	*12*	**67,126**	119,220
Cash and cash equivalents	*12*	**1,520,106**	1,291,770
Total current assets		**3,648,271**	4,232,471
CURRENT LIABILITIES			
Trade and bills payables		**720,729**	764,354
Other payables and accruals		**253,529**	201,756
Interest-bearing bank borrowings		**1,684,977**	1,578,687
Tax payable		**18,094**	18,770
Total current liabilities		**2,677,329**	2,563,567
NET CURRENT ASSETS		**970,942**	1,668,904
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,860,382**	6,902,243

	Notes	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Trade payables		**6,676**	3,640
Deferred income		**9,720**	–
Interest-bearing bank borrowings		**2,085,797**	2,311,267
Corporate bonds		**886,422**	885,556
Deferred tax liabilities		**418,311**	371,097
Total non-current liabilities		**3,406,926**	3,571,560
Net assets		**3,453,456**	3,330,683
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**16,444**	16,444
Reserves		**3,270,637**	3,183,584
		3,287,081	3,200,028
Non-controlling interests		**166,375**	130,655
Total equity		**3,453,456**	3,330,683

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

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 and engineering of wastewater treatment plants (the "WTPs") and municipal infrastructures, and operation of WTPs in the People's Republic of China (the "PRC", or Mainland China, which excludes for the purpose of this announcement, the Hong Kong Special Administrative Region of the PRC or Hong Kong, the Macau Special Administrative Region of the PRC or Macau, and Taiwan).

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Kangda Holdings, a company incorporated in the British Virgin Islands ("BVI").

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

2.1 Basis of preparation

The unaudited interim condensed consolidated financial statements for the six-month period ended 30 June 2016 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board ("IASB") and compliance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.

The unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention and are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand, except when otherwise indicated.

2.2 Impact of new and revised International Financial Reporting Standards ("IFRSs")

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of new standards and interpretations effective as of 1 January 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2016, they do not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer and is not involved in any rate-regulated activities, this standard does not apply.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 *Business Combinations* principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

Amendments to IAS 16 and IAS38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41 *Agriculture*. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact to the Group as the Group does not have any bearer plants.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively. First-time adopters of IFRS electing to use the equity method in their separate financial statements will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group's consolidated financial statements.

Annual Improvements 2012–2014 Cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to unaudited condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

These amendments do not have any impact on the Group.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 *Consolidated Financial Statements*. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 *Investments in Associates and Joint Ventures* allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group as the Group does not apply the consolidation exception.

2.3 Issued but not yet effective International Financial Reporting Standards

The Group has not applied the following new and revised IFRSs, which have been issued but are not yet effective, in these financial statements.

IFRS 9	*Financial Instruments*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 15	*Revenue from Contracts with Customers*[2]
IFRS 16	*Leases*[3]
Amendments to IAS 7	*Disclosure Initiative*[1]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but is available for adoption

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs are unlikely to have a significant impact on the Group's results and financial position.

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 service concession arrangements segment engages in the design, construction, upgrade and operation of WTPs under the Build-Operate-Transfer (the "BOT") arrangements or the operation of WTPs under the Transfer-Operate-Transfer (the "TOT") arrangements;

(b) the Build-Transfer (the "BT") arrangements segment engages in the design and construction of municipal infrastructures or infrastructures related to WTPs;

(c) the "others" segment comprises, principally, the Group's management services business, which provides operation and management ("O&M") services, construction services related to other construction service projects and operation services for other water treatments.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss 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, intangible assets, deferred tax assets, unallocated prepayments, deposits and other receivables, pledged deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings for daily operation purposes, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

For the six-month period ended 30 June 2016	**Service concession arrangements** *RMB'000*	**BT arrangements** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Segment revenue				
Sales to external customers	**875,334**	**7,089**	**19,763**	**902,186**
	875,334	**7,089**	**19,763**	**902,186**
Segment results	**412,742**	**7,089**	**1,484**	**421,315**
Reconciliation:				
Unallocated income and gains				**5,708**
Corporate and other unallocated expenses				**(127,966)**
Finance costs				**(131,378)**
Profit before tax for the period				**167,679**
Other segment information				
Share of profit and loss of associates and a joint venture	**2,359**	**–**	**–**	**2,359**
Depreciation and amortisation	**1,150**	**–**	**675**	**1,825**
Unallocated depreciation and amortisation				**2,155**
Total depreciation and amortisation				**3,980**
At 30 June 2016				
Segment assets	**7,424,745**	**350,621**	**120,300**	**7,895,666**
Reconciliation:				
Corporate and other unallocated assets				**1,642,045**
Total assets				**9,537,711**
Segment liabilities	**3,494,651**	**120,228**	**91,588**	**3,706,467**
Reconciliation:				
Corporate and other unallocated liabilities				**2,377,788**
Total liabilities				**6,084,255**
Other segment information				
Investments in associates and a joint venture	**97,728**	**–**	**–**	**97,728**
Capital expenditure	**1,294**	**–**	**–**	**1,294**
Unallocated amounts				**1,237**
Total capital expenditure*				**2,531**

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

For the six-month period ended 30 June 2015	Service concession arrangements *RMB'000*	BT arrangements *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue				
Sales to external customers	729,264	28,603	26,780	784,647
	729,264	28,603	26,780	784,647
Segment results	360,524	15,269	2,454	378,247
Reconciliation:				
Unallocated income and gains				10,999
Corporate and other unallocated expenses				(88,466)
Finance costs				(119,354)
Profit before tax for the period				181,426
Other segment information				
Share of profit and loss of an associate	3,171	–	–	3,171
Depreciation and amortisation	836	–	671	1,507
Unallocated depreciation and amortisation				2,247
Total depreciation and amortisation				3,754
At 31 December 2015				
Segment assets	6,729,977	720,921	48,719	7,499,617
Reconciliation:				
Corporate and other unallocated assets				1,966,193
Total assets				9,465,810
Segment liabilities	3,170,103	188,323	37,678	3,396,104
Reconciliation:				
Corporate and other unallocated liabilities				2,739,023
Total liabilities				6,135,127
Other segment information				
Investment in an associate	58,582	–	–	58,582
Capital expenditure	2,458	–	103	2,561
Unallocated amounts				2,049
Total capital expenditure*				4,610

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

4. REVENUE

Revenue represents: (1) an appropriate proportion of contract revenue of construction contracts under BOT arrangements, BT arrangements and other construction service projects, net of tax and government surcharges; (2) the revenue from operation of WTPs under BOT arrangements, TOT arrangements and O&M services; and (3) financial income on financial receivables. The amount of each significant category of revenue is as follows:

	For the six-month period ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Revenue from construction services	**433,204**	316,894
Revenue from operating services	**263,497**	298,073
Financial income	**205,485**	169,680
	902,186	784,647

5. OTHER INCOME AND GAINS

	For the six-month period ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Government grants *(note a)*	**41,320**	4,137
Bank interest income	**2,803**	4,916
Investment income	**2,797**	–
Foreign exchange differences	**–**	4,951
Rental income less depreciation of investment properties	**160**	160
Others	**73**	972
	47,153	15,136

Note:

(a) Government grants primarily represented the value-added tax refund and the environmental protection funds for environmental technological improvements granted by government authorities. There are no unfulfilled conditions or contingencies relating to these grants.

6. PROFIT BEFORE TAX

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

		For the six-month period ended 30 June	
		2016	2015
	Notes	***RMB'000***	*RMB'000*
Cost for construction services		**355,984**	256,668
Cost for operation services		**168,691**	157,040
Total of cost of sales		**524,675**	413,708
Depreciation of property, plant and equipment		**3,602**	3,537
Amortisation of intangible assets		**249**	88
Minimum lease payments under operating leases for buildings		**2,939**	2,306
Auditors' remuneration		**480**	400
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages, salaries and allowances, social securities and benefits		**71,414**	61,498
Pension scheme contributions (defined contribution scheme)		**7,657**	7,299
Equity-settled share option expenses		**7,154**	15,364
Total employee benefit expense		**86,225**	84,161
Bank interest income	5	**(2,803)**	(4,916)
Government grants	5	**(41,320)**	(4,137)
Foreign exchange differences, net		**974**	(4,951)

7. INCOME TAX EXPENSE

Pursuant to The PRC Enterprise Income Tax Law Implementing Regulations (中華人民共和國企業所得稅法實施條例), most of the subsidiaries established in the PRC, engaged in the operations of wastewater treatment projects, are eligible for tax holiday of a three-year full exemption followed by a three-year half exemption commencing from their respective first year of generating operating revenue (the "3+3 Tax Holiday"). At 30 June 2016, these subsidiaries were already qualified for the 3+3 Tax Holiday or in the process of preparation and submission of the required documents to the respective tax authorities to apply for the 3+3 Tax Holiday.

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

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

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

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong for the six-month period ended 30 June 2016 (six-month period ended 30 June 2015: Nil).

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

	For the six-month period ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Current income tax		
— Mainland China	**19,238**	10,837
Deferred income tax	**26,464**	29,142
Income tax charge for the period	**45,702**	39,979

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the country in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	For the six-month period ended 30 June			
	2016		2015	
	RMB'000	*%*	*RMB'000*	*%*
Profit before tax	**167,679**		181,426	
Income tax charge at the statutory income tax rate	**41,920**	**25.00**	45,356	25.00
Effect of the preferential income tax rate for some entities	**(3,865)**	**(2.30)**	(9,017)	(4.97)
Income not subject to tax	**–**	**–**	(3,498)	(1.93)
Tax effect of tax losses not recognised	**8,473**	**5.05**	7,931	4.37
Tax effect of share of profit and loss of associates and a joint venture	**(826)**	**(0.49)**	(793)	(0.43)
Tax charge at the effective rate	**45,702**	**27.26**	39,979	22.04

The share of tax attributable to associates and a joint venture amounting to RMB720,000 (six-month period ended 30 June 2015: RMB1,164,000) is included in "Share of profit and loss of associates and a joint venture" in the interim condensed consolidated statement of profit or loss and other comprehensive income.

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

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

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

The share option that could have potentially dilutive impact on the basic earnings per share were issued in December 2014. No adjustment has been made to the basic earnings per share amounts presented for the six-month period ended 30 June 2016 in respect of a dilution as the share options outstanding had anti-dilutive effect on the basic earnings per share amounts presented.

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

	For the six-month period ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Earnings:		
Profit for the period attributable to ordinary equity holders of the parent	**112,979**	137,474
	Number of Shares 30 June 2016	Number of Shares 30 June 2015
Number of shares:		
Weighted average number of ordinary shares for the purpose of the basic earnings per share calculation	**2,067,515,000**	2,067,515,000

The Group did not issued any new share during the six-month period ended 30 June 2016.

9. PROPERTY, PLANT AND EQUIPMENT

During the six-month period ended 30 June 2016, the Group acquired property, plant and equipment with an aggregate cost amounting to approximately RMB1,337,000 (six-month period ended 30 June 2015: RMB1,567,000).

The Group did not have any disposal of property, plant and equipment during the period.

10. FINANCIAL RECEIVABLES

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
Receivables for service concession arrangements	**6,631,067**	5,917,936
Receivables for BT arrangements	**9,342**	307,300
Net trade receivables	**6,640,409**	6,225,236
Portion classified as current	**1,119,742**	1,375,168
Non-current portion	**5,520,667**	4,850,068

Receivables for service concession arrangements arose from the service concession contracts to build and operate WTPs and were recognised to the extent that the Group has an unconditional contractual right to receive cash from or at the direction of the Grantor.

Receivables for BT arrangements arose from the BT contracts to build municipal infrastructures or infrastructures related to WTPs and were recognised when the BT customers completed inspection process and entered into repurchase agreements with the Group, according to which, the Group has an unconditional contractual right to receive cash from the BT customers.

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

At 30 June 2016, the Group's financial receivables with a carrying value of RMB3,789,927,000 (31 December 2015: RMB3,680,551,000) were pledged to secure certain bank loans granted to the Group.

11. TRADE AND BILLS RECEIVABLES

The Group's major customers are the PRC government authorities or agencies. The Group not only provides construction service and operation service pursuant to its service concession arrangements, but also provides construction service under other construction service projects and BT arrangements.

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

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
Trade receivables		
Receivables for service concession arrangements	**258,577**	223,313
Receivables for BT arrangements	**250,904**	225,698
Receivables for other construction service projects and other water treatment	**2,642**	2,957
	512,123	451,968
Bills receivable	**44,000**	170,000
	556,123	621,968

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

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
Within 3 months	**369,572**	336,636
4 to 6 months	**44,469**	39,958
7 to 12 months	**50,824**	17,948
Over 12 months	**47,258**	57,426
	512,123	451,968

An aged analysis of the trade receivables, that are neither individually nor collectively considered to be impaired, is as follows:

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
Neither past due nor impaired	**330,800**	309,684
Past due but not impaired:		
Less than 3 months past due	**62,341**	50,521
4 to 6 months past due	**44,469**	33,518
Over 6 months past due	**74,513**	58,245
	512,123	451,968

Receivables that were neither past due nor impaired relate to different local government authorities or agencies for whom there was no recent history of default.

Receivables that were past due but not impaired relate to government authorities or agencies that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

At 30 June 2016, the Group's trade receivables with a carrying value of approximately RMB135,164,000 (31 December 2015: RMB177,343,000) were pledged to secure certain bank loans granted to the Group.

12. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2016 *RMB'000*	31 December 2015 *RMB'000*
Cash and bank balances	**1,587,232**	1,410,990
Less: Pledged deposits	**(67,126)**	(119,220)
Cash and cash equivalents	**1,520,106**	1,291,770
Cash and bank balances denominated in:		
— RMB	**1,386,045**	1,153,409
— United States dollars	**30,996**	1,049
— Hong Kong dollars	**103,065**	137,312
Cash and cash equivalents	**1,520,106**	1,291,770

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of cash and cash equivalents and pledged deposits in the consolidated statements of financial position approximate to their fair values.

As 30 June 2016, the Group's pledged deposits with a carrying value of approximately RMB23,430,000 (31 December 2015: RMB64,067,000) were pledged to secure certain bank loans granted to the Group.

13. DIVIDEND

During the current interim period, a final dividend of RMB33,080,000 for the year ended 31 December 2015, at RMB1.6 cents per ordinary share based on 2,067,515,000 shares as at 13 June 2016, was approved by the annual general meeting and declared to the shareholders of the Company.

The Board did not recommend the payment of an interim dividend for the six-month period ended 30 June 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

There was a decrease in the water body of "Grade V quality" as a result of the central government's efforts to treat water pollution in the past years whereas urban foul water body, branch pollution, eutrophication of lakes were still severe. Water pollution problem in the People's Republic of China (the "PRC") remains very serious. Furthermore, China's economic development has slowed down in recent years and local debt crisis led to the introduction of the model of public-private partnership (the "PPP") in 2014. In the first half of 2016, the implementation of environmental projects under the PPP was expedited. During April and May 2016, Ministry of Finance, Ministry of Housing and Urban-Rural Development and Ministry of Water Resources of the PRC announced the 14 pilot cities in respect of the second batch of domestic sponge city construction.

In addition, with the increasing maturity of the municipal wastewater industry, the wastewater treatment market in medium and small towns as well as rural areas has become the new focus of environmental management. Construction of eco-towns and beautiful rural villages has provided new profitable opportunities for the wastewater treatment market in small towns and rural areas.

At the dawn of the PPP era, due to the higher requirements for social capital under the PPP model, leading enterprises with extensive project experience, strong technical capabilities and management practices shall seize the largest market.

DEVELOPMENT STRATEGIES AND FUTURE DEVELOPMENT

The year of 2016 marks the commencement of the "Thirteenth Five-Year Plan". The environmental protection industry continues growing and the introduction of series of environmental policies provides various market opportunities. The fields of foul water body treatment and sponge city keep their burst of growth while price competition among the peers, various capital injections from cross-industry into the environmental sector and fierce project competition remain unabated.

Given the aforesaid industry upgrades and intensifying industrial competition, traditional wastewater treatment business of the Group still secured numbers of new projects in the first half of 2016, including BOT projects of Dongping County Second Wastewater Treatment Plant in Shandong* (山東東平縣第二污水處理廠), Xuzhou City Feng County Urban Area Wastewater Treatment Plant Phase III* (徐州市豐縣城區污水處理廠三期) and Dacheng County Wastewater Treatment Plant Phase II in Hebei Province* (河北省大城縣污水處理廠二期). In addition, the Group acquired 95% of the equity interests in Qishan County Dayuan Sewage Treatment Co., Ltd.* (岐山縣大源污水處理有限責任公司). Following the acquisition of 90% of the equity interests in the seven companies held by Shandong Guohuan Industrial Investment Co., Ltd.* (山東國環產業投資有限公司) by the Group in 2014 and 2015 respectively, the Group continued to acquire 9% of the equity interests in the aforesaid companies in the first half of 2016.

The Group still puts great emphasis on the technology-based strategies. The Group commits to pursuing technological advancement through improving our own scientific innovation ability; and to achieving win-win development through a variety of collaboration such as project cooperation and strategy alliance. In April 2016, the Group formed an associate with the top-notch institution of water environment treatment in the PRC, 702 Research Institute of China Shipbuilding Industry Corporation* (中國船舶重工集團公司第七〇二研究所), by means of equity acquisition, so as to maximize the Group's technological advantage over water environment treatment.

Regarding business development strategy, the Group will continue to facilitate its transformation from a provider of traditional wastewater treatment services to an urban environmental and comprehensive treatment solutions provider, and rapidly expand into other areas of the water industrial chain to speed up the accumulation of project reserves, focusing on comprehensive river basin management, sponge city, reclaimed water, sludge, heat pumps and photovoltaics, etc., with a view to laying a development foundation for the Group in the next decade.

As for internal management strategy, the Group continues to advance division reform and bring business departments' initiative and professionalism into full play with independent accounting. As the business grows, the Group will keep expanding on the basis of the investment commerce division, technology division, water environmental division, operation management division, construction management division, energy investment division and small town division currently established, with an aim to capture market opportunities.

In the coming two years, the Group plans to seize business opportunities in the environmental market, and take advantage of the opportunities brought by the new environmental policies and the PPP model to integrate the Group's external and internal resources, so as to rapidly improve the financial results and enhance the industry position of the Group, continuously bringing greater value to the shareholders.

* *For identification purpose only*

BUSINESS REVIEW

The principal business of the Group includes constructions and operations in wastewater treatment business. The coverage of the Group's wastewater treatment plants, water distribution plant and sludge treatment plant has extended to 81 projects in 11 provinces and municipalities all across Mainland China.

In the future, the Group will continuously pursue expanding market share in the wastewater treatment industry by investing in new projects as well as merger and acquisition opportunities. We are very confident about the Group's prospects and future profitability.

Service Concession Arrangements

As at 30 June 2016, the Group had entered into a total of 81 service concession arrangements projects including 79 wastewater treatment plants, 1 water distribution plant and 1 sludge treatment plant. Total daily treatment capacity for new wastewater projects secured for the six-month period ended 30 June 2016 was 100,000 tonnes, including (a) a 20,000 tonnes project for Dongping County Second Wastewater Treatment Plant* (東平縣第二污水處理廠), (b) a 40,000 tonnes project for Qishan County Dayuan Sewage Treatment Co., Ltd.* (岐山縣大源污水處理有限責任公司), (c) a 20,000 tonnes project for Dacheng County Wastewater Treatment Plant Phase II* (大城縣污水處理廠二期), and (d) a 20,000 tonnes project for Xuzhou City Feng County Urban Area Wastewater Treatment Plant Phase III* (徐州市豐縣城區污水處理廠三期). Meanwhile, the Group further entered into the sludge treatment business, for a purpose of expanding Group's wastewater treatment business chain, and gained a daily treatment capacity of 350 tonnes in Gaomi sludge treatment plant* (高密污泥處置廠) for the six-month period ended 30 June 2016.

As at 30 June 2016, the Group's total daily wastewater treatment capacity was approximately 2,876,500 tonnes, representing a slight increase of approximately 3.6% as compared with the capacity of approximately 2,776,500 tonnes as at 31 December 2015, due to the increasingly high competitive level in the wastewater investment market in Mainland China. The water supply project remained the same as at 31 December 2015. The Group successfully and strategically entered into the sludge treatment business to further fulfill our wastewater treatment business chain.

* *For identification purposes only*

Analysis of the Group's service concession arrangements projects on hand as at 30 June 2016 is as follow:

	Daily wastewater treatment capacity	**Daily water distribution capacity**	**Daily sludge treatment capacity**	**Total**
(Tonnes)				
In operation	2,251,500	–	–	2,251,500
Not yet start operation/ Not yet transferred	625,000	31,300	350	656,650
Total	2,876,500	31,300	350	2,908,150
(Number of projects)				
In operation	60	–	–	60
Not yet start operation/ Not yet transferred	19	1	1	21
Total	79	1	1	81

	Number of projects	**Treatment capacity** *(Tonnes/Day)*	**Actual processing volume during the six-month period ended 30 June 2016** *(Million Tonnes)*
Henan	20	950,000	132.9
Shandong	37	1,069,500	113.9
Anhui	5	225,000	34.9
Jiangsu	5	82,000	11.5
Other provinces/municipalities*	12	550,000	49.6
	79	2,876,500	342.8
Water distribution services	1	31,300	–
Total	80	2,907,800	342.8
Sludge treatment services	1	350	–
Total	81	2,908,150	342.8

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

Operation Services

As at 30 June 2016, the Group had 60 wastewater treatment projects in operation in Mainland China. Total daily treatment capacity in operation of wastewater treatment plants as at 30 June 2016, reached 2,251,500 tonnes (31 December 2015: 2,134,500 tonnes). For the six-month period ended 30 June 2016, the annualised utilisation rate for wastewater treatment plants in operation was approximately 84%. The actual average wastewater treatment tariff for the six-month period ended 30 June 2016 was approximately RMB1.32 per tonne. The actual aggregate processing volume for the six-month period ended 30 June 2016 was 342.8 million tonnes, which contributed by subsidiaries recorded a revenue of RMB262.4 million for the six-month period ended 30 June 2016 (six-month period ended 30 June 2015: RMB295.8 million), the corresponding decrease was primarily due to the new VAT regulations, "Notice on the Issuing of the Catalogue of Value-Added Tax Preferences for Products and Labor Services Involving the Comprehensive Utilization of Resources" issued by the Ministry of Finance and the State Administration of Taxation of the PRC (the "Cai Shui [2015] No.78"), which was implemented since 1 July 2015.

Construction Services

The Group entered into a number of service concession arrangements under BOT contracts in respect of its wastewater treatment services and water distribution services. Under 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 is recognised by using the percentage-of-completion method.

For the six-month period ended 30 June 2016, construction revenue was recognised for 21 BOT projects, including 19 wastewater treatment plants,1 water distribution plant and 1 sludge treatment plant, which were mainly located in the Henan and Shandong provinces in Mainland China. Total construction revenue of those BOT projects was RMB414.5 million (six-month period ended 30 June 2015: RMB271.2 million) due to an increase in commencement of construction work of new BOT projects. As at 30 June 2016, the total daily treatment capacity of these wastewater treatment plants/one water distribution plant and one sludge treatment plant, which was still in the construction stage, was 426,300 tonnes and 350 tonnes, respectively.

BT Arrangements

As at 30 June 2016, the Group had four BT (Build-Transfer) projects for the construction of municipal water supply, drainage network and municipal infrastructure. For the six-month period ended 30 June 2016, the Group did not enter into any new BT projects.

For the six-month period ended 30 June 2016, BT arrangements contributed a revenue of RMB7.1 million, all of which was financial income (six-month period ended 30 June 2015: RMB28.6 million).

Other Services

For the six-month period ended 30 June 2016, the Group's other services contributed a revenue of RMB19.8 million (six-month period ended 30 June 2015: RMB26.8 million). Such decrease was mainly due to the major construction work conducted for the Jiaozuo municipal government in previous years.

FINANCIAL ANALYSIS

Revenue

For the six-month period ended 30 June 2016, the Group recorded a revenue of RMB902.2 million, representing an increase of approximately 15% compared to the previous corresponding period of RMB784.6 million. The increase was mainly due to the increase in construction revenue of RMB116.3 million and the increase in financial income of RMB35.9 million, despite of the decrease in operating revenue of RMB34.6 million. The increase in construction revenue was mainly due to the increase in commencement of construction work for the Group's BOT projects, while the decrease in operation revenue was mainly due to the Cai Shui [2015] No.78 implemented since 1 July 2015. The increase in financial income was mainly due to the increase in the Group's total wastewater treatment capacity.

For details, please refer to ***Business Review — Service Concession Arrangements — Operation Services and Construction Services*** above.

Cost of Sales

The Group's cost of sales for the six-month period ended 30 June 2016 amounted to RMB524.7 million, representing an increase of approximately 27% as compared to the previous corresponding period of RMB413.7 million. The increase was due to the increase in construction costs of RMB99.3 million, the increase in operating costs amounted to RMB11.7 million. Cost of sales mainly includes construction costs of RMB356.0 million and operating costs of wastewater treatment plants of RMB168.7 million.

For details, please refer to ***Business Review — Service Concession Arrangements — Operation Services and Construction Services*** above.

Gross Profit Margin

For the six-month period ended 30 June 2016, gross profit margin was approximately 42%, representing a decrease of 5 percentage points as compared to the previous corresponding period of approximately 47%. The gross profit margin for service concession arrangements decreased to approximately 42% compared to the previous corresponding period of approximately 48%, which was mainly due to the decrease of operation margin caused by payment of value-added tax and surcharges under Cai Shui [2015] No.78. Gross margin for BT arrangements increased to approximately 100% compared to the previous corresponding period of approximately 53%, primarily due to all revenue recognised was from financial income for this six-month period. Gross profit margin for other services remained at a similar level for the six-month period ended 30 June 2016 with a minor decrease of 1 percentage point, due to the different phases of construction work conducted for the Jiaozuo municipal government.

Other Income and Gains

The Group recorded other income and gains of RMB47.2 million for the six-month period ended 30 June 2016, representing an increase of approximately 213% as compared to the previous corresponding period of RMB15.1 million. The amount for this period primarily included government grants of RMB41.3 million, which was mainly comprised of VAT refund under Cai Shui [2015] No.78, bank interest income of RMB2.8 million and investment income of RMB2.8 million.

Administrative Expenses

Administrative expenses for the six-month period ended 30 June 2016 was RMB105.4 million, representing an increase of approximately 26% as compared to the previous corresponding period of RMB83.8 million. The increase was mainly due to the increase in staff costs of RMB11.1 million, and travelling expenses related to the Group's market expansion strategy amounting to RMB6.4 million.

Finance Costs

Finance costs for six-month period ended 30 June 2016 mainly represented interests on interest-bearing bank borrowings and corporate bonds of RMB131.4 million, representing an increase of approximately 10% as compared to RMB119.4 million in the previous corresponding period. The increase in finance costs was mainly due to the increase of interest-bearing bank borrowings and corporate bonds in line with the increase in project portfolio and the Group's market expansion strategy.

Income Tax Expense

Income tax expense for the six-month period ended 30 June 2016 included the current PRC income tax of RMB19.2 million and deferred tax expenses of RMB26.5 million, compared to RMB10.9 million and RMB29.1 million for the previous corresponding period, respectively. The Group's effective tax rate for the six-month period ended 30 June 2016 was about 27%, representing an increase of 5 percentage points as compared with 22% for the last corresponding period, which was mainly due to the increase of tax effect of tax losses not recognised and expiration of 3+3 Tax Holiday.

Financial Receivables

	As at	
	30 June	31 December
	2016	2015
	RMB'000	*RMB'000*
Receivables for service concession arrangements	**6,631,067**	5,917,936
Receivables for BT arrangements	**9,342**	307,300
Subtotal of financial receivables	**6,640,409**	6,225,236
Portion classified as current	**1,119,742**	1,375,168
Non-current portion	**5,520,667**	4,850,068

As at 30 June 2016, the Group's financial receivables was RMB6,640.4 million, representing an increase of approximately 7% as compared to RMB6,225.2 million as at 31 December 2015. The increase was primarily due to the increase in construction of the Group's BOT service concession arrangements projects and the acquisition of wastewater treatment projects through business combination.

Trade and Bills Receivables

As at 30 June 2016, the Group's trade and bills receivables of RMB556.1 million (31 December 2015: RMB622.0 million) mainly arose from the provision of wastewater treatment services for service concession arrangements projects as well as construction services for the Group's BT projects. The balance decreased by RMB65.9 million, mainly due to: firstly, the increase of service concession arrangements receivables of approximately RMB35.3 million; secondly, the increase of BT project receivables of approximately RMB25.2 million arose from repurchase and settlement of Wendeng BT project; thirdly, the decrease of bills receivables of approximately RMB126.0 million caused by bills endorsement and discount.

Cash and Cash Equivalents

As at 30 June 2016, the Group's cash and cash equivalents of RMB1,520.1 million (31 December 2015: RMB1,291.8 million) increased by RMB228.3 million. The increase was mainly due to the decrease of the structured deposit.

	For the six-month period ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Net cash flows from/(used in) operating activities[1]	**167,546**	(348,201)
Net cash flows from investing activities	**320,833**	262,347
Net cash flows (used in)/from financing activities	**(262,199)**	184,246
Net increase in cash and cash equivalents	**226,180**	98,392
Effect of foreign exchange rate changes	**2,156**	(46)
Cash and cash equivalents at beginning of the period	**1,291,770**	747,283
Cash and cash equivalents at end of the period	**1,520,106**	845,629

Note:

(1) For the six-month period ended 30 June 2016 and 2015, the Group invested RMB316.0 million and RMB222.8 million, respectively, in the Group's BOT and Transfer-Operate-Transfer (the "TOT") projects. Such investments were counted towards 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 in the Group's consolidated statement of financial position. For the six-month period ended 30 June 2016 and 2015, the Group would have incurred cash inflows of RMB483.5 million and cash outflows of RMB125.4 million, respectively, if the Group's investments in BOT and TOT activities were not accounted for as cash flows used in operating activities.

Trade and Bills Payables

As at 30 June 2016, the Group's trade and bills payables of RMB727.4 million (31 December 2015: RMB768.0 million) decreased by RMB40.6 million, which was due to the settlement in trade payables to sub-contractors.

Liquidity and Financial Resources

The Group's principal liquidity and capital requirements primarily relate to investments in wastewater treatment 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 2016, the carrying amount of the Group's cash and cash equivalents was RMB1,520.1 million, representing an increase of approximately RMB228.3 million as compared to RMB1,291.8 million as at 31 December 2015, which was mainly due to the net cash inflows from operating activities of RMB167.5 million, cash collected from trade receivables and net cash inflows from investing activities of RMB320.8 million, disposal of structured deposit and the net cash outflows from financing activities of RMB262.2 million.

The Group's total interest-bearing bank borrowings amounted to RMB3,770.8 million as at 30 June 2016 (31 December 2015: RMB3,890.0 million), over 90% of which bear interest at floating rates.

On 21 December 2015, the Group issued corporate bonds with an aggregate amount of RMB900.0 million with a term of seven years, the unit par value is RMB100 and the interest rate is 5.5%, with an option to adjust interest rate at the end of the third and the fifth year. As at 30 June 2016, the Group's corporate bonds amounted to RMB886.4 million.

As at 30 June 2016, the Group had banking facilities amounting to RMB58,153.2 million, of which RMB53,271.3 million have not been utilised. Of the unutilised banking facilities as at that date, RMB3,521.3 million were unrestricted facilities and the remaining RMB49,750.0 million were restricted facilities, which are limited to be utilised on investments in wastewater treatment projects only.

As at 30 June 2016, the gearing ratio (calculated by net debt divided by capital and net debt) is 54%, while the gearing ratio was 57% as at 31 December 2015. The decrease of gearing ratio is mainly due to the increase of cash and cash equivalents.

Charges on the Group's Assets

Outstanding balance of interest-bearing bank borrowings as at 30 June 2016 was approximately RMB3,770.8 million, which were repayable within one month to ten years and were secured by financial receivables, property, plant and equipment, investment properties, trade receivables and pledged deposits, of which the total amounts of the pledge of assets amounted to RMB3,972.4 million.

EMPLOYEES AND REMUNERATION POLICIES

The Group had 1,821 employees as at 30 June 2016. The remuneration package of the Group is generally determined with reference to market conditions and individual performance. Salaries are normally reviewed annually based on performance appraisals and other relevant factors. The Group provides external and internal training programs to its employees.

CONTINGENT LIABILITIES

As at 30 June 2016, the Group did not have any significant contingent liabilities (31 December 2015: 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 2016, 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.

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 areas that lead to the success of the Company and in balancing the interests of shareholders, customers and employees, and the Board is devoted to ongoing enhancements of the efficiency and effectiveness of such principles and practices.

The Company has adopted the code provisions included in the corporate governance code (the "Corporate Governance Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Board is of the view that during the six months ended 30 June 2016, 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, optimised 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 organic combination of the trinity 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 Period (six months ended 30 June 2015: Nil).

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the six-month period ended 30 June 2016, none of the Directors is aware that the Directors or any substantial shareholders (within the meaning of the Listing Rules) of the Company and their respective associates have any business or interest in any business that competes or may compete with the business of the Group or have or may have any conflicts of interest with the Group.

PUBLIC FLOAT

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

EVENTS AFTER THE REPORTING PERIOD

No significant events took place subsequent to 30 June 2016.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") on 14 June 2014 (the "Adoption Date").

On 19 December 2014, the Company granted a total of 84,500,000 options to subscribe for 84,500,000 shares in conformity with the Share Option Scheme to certain Directors and employees. During the six months ended 30 June 2016, 3,200,000 options were lapsed and no option was granted, exercised or cancelled under the Share Option Scheme. The options granted shall vest and become exercisable within one year from the relevant date of vesting in three tranches in the proportion of 30%, 30% and 40% at the end of the 12th, 24th and 36th month after the date of grant, unless otherwise determined by the Company at its discretion in exceptional circumstances.

Set out below are the details of the outstanding options granted under the Share Option Scheme:

Name of grantee	Date of grant	Closing price as at the date of grant of options (HK$)	Exercise price per share (HK$)	Number of Options: Outstanding as at 1 January 2016	Granted during the Period	Exercised during the Period	Cancelled/ lapsed during the Period	Outstanding as at 30 June 2016	Exercise period (Note 1)
Director									
Zhang Weizhong									
(also the chief executive officer)	19/12/2014	3.340	3.386	1,950,000	–	–	–	1,950,000	A
				1,950,000	–	–	–	1,950,000	B
				2,600,000	–	–	–	2,600,000	C
Sub-total				*6,500,000*	–	–	–	*6,500,000*	
Liu Zhiwei	19/12/2014	3.340	3.386	1,650,000	–	–	–	1,650,000	A
				1,650,000	–	–	–	1,650,000	B
				2,200,000	–	–	–	2,200,000	C
Sub-total				*5,500,000*	–	–	–	*5,500,000*	
Gu Weiping	19/12/2014	3.340	3.386	1,500,000	–	–	–	1,500,000	A
				1,500,000	–	–	–	1,500,000	B
				2,000,000	–	–	–	2,000,000	C
Sub-total				*5,000,000*	–	–	–	*5,000,000*	
Wang Litong	19/12/2014	3.340	3.386	1,500,000	–	–	–	1,500,000	A
				1,500,000	–	–	–	1,500,000	B
				2,000,000	–	–	–	2,000,000	C
Sub-total				*5,000,000*	–	–	–	*5,000,000*	
Other employees (in aggregate)	19/12/2014	3.340	3.386	18,660,000	–	–	(3,200,000)	15,460,000	A
				18,660,000	–	–	–	18,660,000	B
				24,880,000	–	–	–	24,880,000	C
Sub-total				*62,200,000*	–	–	*(3,200,000)*	*59,000,000*	
Total				84,200,000	–	–	(3,200,000)	81,000,000	

Note:

1. The respective exercise periods of the share options granted are as follows:

   A: 19 December 2015 to 18 December 2016

   B: 19 December 2016 to 18 December 2017

   C: 19 December 2017 to 18 December 2018

AUDIT COMMITTEE AND REVIEW OF THE INTERIM RESULTS

The Company has established the audit committee pursuant to a resolution of the Directors passed on 30 October 2013 (the "Audit Committee") in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code. The primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems, oversee the audit process and perform other duties and responsibilities as assigned by the Board. At present, the Audit Committee consists of three independent non-executive Directors, being Mr. Tsui Yiu Wa Alec, Mr. Peng Yongzhen and Mr. Chang Qing (appointed on 8 January 2016), and Mr. Tsui Yiu Wa Alec is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2016. 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.

REMUNERATION COMMITTEE

The Company has established a remuneration committee on 30 October 2013 (the "Remuneration Committee") with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the Corporate Governance Code. The primary duties of the Remuneration Committee are to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objects and make recommendations to the Board on the remuneration package of individual executive Directors and senior management. The Remuneration Committee currently consists of three members, namely Mr. Chang Qing (appointed on 8 January 2016), Mr. Gu Weiping and Mr. Peng Yongzhen, and Mr. Chang Qing is the chairman of the Remuneration Committee.

NOMINATION COMMITTEE

The Company has established a nomination committee on 30 October 2013 (the "Nomination Committee") with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code. The primary function of the Nomination Committee is to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive. The Nomination Committee currently consists of five members, comprising Mr. Zhao Juanxian (alias, Zhao Junxian), Mr. Zhang Weizhong, Mr. Tsui Yiu Wa Alec, Mr. Peng Yongzhen and Mr. Chang Qing (appointed on 8 January 2016), and Mr. Zhao Juanxian (alias, Zhao Junxian) is the chairman of the Nomination Committee.

The Board had adopted a board diversity policy aiming to set out the approach to achieve the diversity of members of the Board to enhance the effectiveness of the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

The Company has made specific enquiry to all of the Directors and all of the Directors have confirmed that they have complied with the required standards as set out in the Model Code during the six months ended 30 June 2016.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries 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 HKEx 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 2016 will be published on the aforesaid websites of the HKEx 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
Chairman
Mr. Zhao Juanxian (alias, Zhao Junxian)

Hong Kong, 22 August 2016

As at the date of this announcement, the Board comprises 9 Directors, namely Mr. ZHAO Juanxian (alias, ZHAO Junxian), Mr. ZHANG Weizhong, Ms. LIU Zhiwei, Mr. GU Weiping and Mr. WANG Litong as executive Directors; Mr. ZHUANG Ping as a non-executive Director; and Mr. TSUI Yiu Wa Alec, Mr. PENG Yongzhen and Mr. CHANG Qing as independent non-executive Directors.