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 2015

HIGHLIGHTS

- Profit attributable to owners of the parent was approximately RMB137.5 million, representing an increase of approximately 11% over the corresponding period last year.
- Basic and diluted earnings per share attributable to ordinary equity holders of the parent was RMB 6.65 cents.
- Revenue was approximately RMB784.6 million.
- As at 30 June 2015, total daily wastewater treatment capacity was 2,522,000 tonnes, representing a slight increase of 2% as compared with the capacity of 2,472,000 tonnes as at 31 December 2014.
- The Board of the Company did not recommend the payment of interim dividend for the six months ended 30 June 2015.

The board of directors (the "Board") 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 2015 (the "Period") together with the comparative figures for the corresponding period in 2014 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 2015

	Notes	**For the six-month period ended 30 June**	
		2015	2014
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
REVENUE	4	**784,647**	863,999
Cost of sales		**(413,708)**	(553,105)
Gross profit		**370,939**	310,894
Other income and gains	5	**15,136**	9,815
Selling and distribution expenses		**(4,704)**	(3,338)
Administrative expenses		**(83,762)**	(64,324)
Finance costs		**(119,354)**	(96,376)
Share of profit and loss of an associate		**3,171**	3,705
PROFIT BEFORE TAX	6	**181,426**	160,376
Income tax expense	7	**(39,979)**	(35,685)
PROFIT FOR THE PERIOD		**141,447**	124,691
Other comprehensive income		**—**	—
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**141,447**	124,691
Attributable to:			
Owners of the parent		**137,474**	123,762
Non-controlling interests		**3,973**	929
		141,447	124,691
Earnings per share attributable to ordinary equity holders of the parent – Basic and diluted (expressed in RMB per share)	8	**6.65 cents**	8.25 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2015

	Notes	**30 June 2015 RMB'000 (Unaudited)**	31 December 2014 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	**81,392**	79,522
Investment properties		**1,979**	2,108
Investment in an associate		**49,954**	48,754
Intangible assets		**1,233**	1,321
Financial receivables	10	**4,579,682**	4,047,483
Deferred tax assets		**42,129**	30,239
Total non-current assets		**4,756,369**	4,209,427
CURRENT ASSETS			
Inventories		**5,726**	5,248
Construction contracts		**437,870**	420,670
Financial receivables	10	**1,167,796**	1,072,687
Trade and bills receivables	11	**541,399**	503,266
Prepayments, deposits and other receivables		**345,319**	140,289
Pledged deposits	12	**180,581**	511,940
Cash and cash equivalents	12	**845,629**	747,283
Total current assets		**3,524,320**	3,401,383
CURRENT LIABILITIES			
Trade and bills payables	13	**670,871**	725,393
Other payables and accruals		**194,869**	133,596
Interest-bearing bank borrowings	14	**1,635,092**	1,745,781
Tax payable		**13,553**	10,190
Total current liabilities		**2,514,385**	2,614,960
NET CURRENT ASSETS		**1,009,935**	786,423
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,766,304**	4,995,850

	Notes	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Trade and bills payables	13	**3,062**	2,974
Interest-bearing bank borrowings	14	**2,305,538**	1,811,023
Deferred tax liabilities		**334,122**	257,138
Total non-current liabilities		**2,642,722**	2,071,135
Net assets		**3,123,582**	2,924,715
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**16,444**	16,444
Reserves		**2,979,307**	2,826,469
		2,995,751	2,842,913
Non-controlling interests		**127,831**	81,802
Total equity		**3,123,582**	2,924,715

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2015

1. CORPORATE 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 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 report, the Hong Kong Special Administrative Region of the PRC or Hong Kong, the Macau Special Administrative Region of the PRC or Macau, and Taiwan).

The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong(the "Stock Exchange") on 4 July 2014(the "Listing").

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 2015 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 Hong Kong Companies Ordinance relating to the preparation of financial statements.

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 2014.

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 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 2014, except for the adoption of new standards and interpretations effective as of 1 January 2015.The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

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

The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2015, 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:

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

Annual Improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these interim condensed consolidated financial statements. They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition

- A performance target must be met while the counterparty is rendering service

- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group

- A performance condition may be a market or non-market condition

- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

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

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

The above definitions are consistent with how the Group has identified any performance and service conditions which are vesting conditions in previous periods, and thus these amendments do not impact the Group's accounting policies.

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable). This is consistent with the Group's current accounting policy, and thus this amendment does not impact the Group's accounting policy.

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

– An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'

– The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The Group has not applied the aggregation criteria in IFRS 8.12. The Group has presented the reconciliation of segment assets to total assets in previous periods and continues to disclose the same in Note 3 in these financial statements as the reconciliation is reported to the chief operating decision maker for the purpose of her decision making.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. The Group did not record any revaluation adjustments during the current interim period.

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

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

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from other entities.

Annual Improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these interim condensed consolidated financial statements. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

– Joint arrangements, not just joint ventures, are outside the scope of IFRS 3

– This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

The Group is not a joint arrangement, and thus this amendment is not relevant for the Group and its subsidiaries.

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). The Group does not apply the portfolio exception in IFRS 13.

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Group has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment does not impact the accounting policy of the Group.

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

2.3 Issued but not yet effective International Financial Reporting Standards

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

IFRS 9	*Financial Instruments*[3]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
IFRS 14	*Regulatory Deferral Accounts*[4]
IFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to IAS 1	*Disclosure Initiative*[1]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[1]
Amendments to IAS 27	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs[2]

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2017

3 Effective for annual periods beginning on or after 1 January 2018

4 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

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.

3. OPERATING SEGMENT INFORMATION (continued)

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 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

3. OPERATING SEGMENT INFORMATION (continued)

At 30 June 2015	**Service concession arrangements** RMB'000	**BT arrangements** RMB'000	**Others** RMB'000	**Total** RMB'000
Segment assets	6,153,207	964,146	26,628	7,143,981
Reconciliation:				
Corporate and other unallocated assets				1,136,708
Total assets				8,280,689
Segment liabilities	3,263,097	150,000	24,291	3,437,388
Reconciliation:				
Corporate and other unallocated liabilities				1,719,719
Total liabilities				5,157,107
Other segment information				
Investment in an associate	49,954	—	—	49,954
Capital expenditure	1,475	—	—	1,475
Unallocated amounts				92
Total capital expenditure*				1,567

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

3. OPERATING SEGMENT INFORMATION (continued)

For the six-month period ended 30 June 2014	Service concession arrangements RMB'000	BT arrangements RMB'000	Others RMB'000	Total RMB'000
Segment revenue				
Sales to external customers	783,494	2,956	77,549	863,999
	783,494	2,956	77,549	863,999
Segment results	310,653	2,956	7,804	321,413
Reconciliation:				
Unallocated income and gains				3,001
Corporate and other unallocated expenses				(67,662)
Finance costs				(96,376)
Profit before tax for the period				160,376
Other segment information				
Share of profit and loss of an associate	3,705	—	—	3,705
Reversal of impairment of trade receivables	5,114	—	—	5,114
Depreciation and amortisation	459	—	633	1,092
Unallocated depreciation and amortisation				2,197
Total depreciation and amortisation				3,289

3. OPERATING SEGMENT INFORMATION (continued)

At 31 December 2014	**Service concession arrangements** RMB'000	**BT arrangements** RMB'000	**Others** RMB'000	**Total** RMB'000
Segment assets	5,287,740	978,173	27,429	6,293,342
Reconciliation:				
Corporate and other unallocated assets				1,317,468
Total assets				7,610,810
Segment liabilities	2,230,804	172,617	12,566	2,415,987
Reconciliation:				
Corporate and other unallocated liabilities				2,270,108
Total liabilities				4,686,095
Other segment information:				
Investment in an associate	48,754	—	—	48,754
Capital expenditure	2,650	—	476	3,126
Unallocated amounts				1,264
Total capital expenditure*				4,390

* 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	
	2015	2014
	RMB'000	RMB'000
Revenue from construction services	**316,894**	558,499
Revenue from operating services	**298,073**	195,296
Financial income	**169,680**	110,204
	784,647	863,999

5. OTHER INCOME AND GAINS

	For the six-month period ended 30 June	
	2015	2014
	RMB'000	RMB'000
Foreign exchange differences	**4,951**	70
Bank interest income	**4,916**	2,153
Government grants (note a)	**4,137**	1,700
Rental income less depreciation of investment properties	**160**	159
Reversal of impairment of trade receivables	**—**	5,114
Others	**972**	619
	15,136	9,815

Note:

(a) Government grants represented 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	
	Notes	**2015**	2014
		RMB'000	RMB'000
Cost for construction services		**256,668**	454,874
Cost for operation services		**157,040**	98,231
Total of cost of sales		**413,708**	553,105
Depreciation of property, plant and equipment		**3,537**	3,087
Amortisation of intangible assets		**88**	74
Reversal of impairment of trade receivables	5	**—**	(5,114)
Minimum lease payments under operating leases for buildings		**2,306**	1,505
Auditors' remuneration		**400**	2,196
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages, salaries and allowances, social securities and benefits		**61,498**	46,917
Pension scheme contributions (defined contribution scheme)		**7,299**	4,435
Equity-settled share option expenses		**15,364**	—
Total employee benefit expense		**84,161**	51,352
Bank interest income	5	**(4,916)**	(2,153)
Government grants	5	**(4,137)**	(1,700)
Foreign exchange differences, net	5	**(4,951)**	(70)

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 2015, 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. In addition, certain subsidiaries, engaged in the operations of waste water treatment projects, are entitled to enterprise income tax based on 90% of their revenues.

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 Corporate 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 2015 (six-month period ended 30 June 2014: 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	
	2015	2014
	RMB'000	RMB'000
Current income tax		
– Mainland China	**10,837**	13,588
Deferred income tax	**29,142**	22,097
Income tax charge for the period	**39,979**	35,685

7. INCOME TAX EXPENSE (continued)

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			
	2015		2014	
	RMB'000	**%**	RMB'000	%
Profit before tax	**181,426**		160,376	
Income tax charge at the statutory income tax rate	**45,356**	**25.00**	40,094	25.00
Effect of the preferential income tax rate for some entities	**(9,017)**	**(4.97)**	(3,636)	(2.27)
Income not subject to tax	**(3,498)**	**(1.93)**	(1,487)	(0.93)
Tax effect of tax losses not recognised	**7,931**	**4.37**	986	0.62
Tax effect of share of profit and loss of an associate	**(793)**	**(0.43)**	(926)	(0.58)
Expenses not deductible for tax purposes	**—**	**—**	654	0.41
Tax charge at the effective rate	**39,979**	**22.04**	35,685	22.25

The share of tax attributable to an associate amounting to RMB1,164,000 (six-month period ended 30 June 2014: RMB1,235,000) is included in "Share of profit and loss of an associate" 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 2015 in respect of a dilution as the share options outstanding had anti-dilutive effect on the basic earnings per share amounts presented.

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

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

	For the six-month period ended 30 June	
	2015	2014
	RMB'000	RMB'000
Earnings:		
Profit for the period attributable to ordinary equity holders of the parent	**137,474**	123,762

	Number of Shares 30 June 2015	Number of Shares 30 June 2014
Number of shares:		
Weighted average number of ordinary shares for the purpose of the basic earnings per share calculation	**2,067,515,000**	1,500,000,000

The weighted average numbers of ordinary shares for the purpose of the basic and diluted earnings per share calculations for six-month period ended 30 June 2014 have been retrospectively adjusted to reflect the 1,499,990,000 shares of the Company issued upon the Listing of the Company's shares on the Stock Exchange on 4 July 2014.

9. PROPERTY, PLANT AND EQUIPMENT

During the six-month period ended 30 June 2015, the Group acquired property, plant and equipment with an aggregate cost amounting to approximately RMB1,567,000 (six-month period ended 30 June 2014: RMB3,290,000).

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

10. FINANCIAL RECEIVABLES

	30 June 2015 RMB'000	31 December 2014 RMB'000
Receivables for service concession arrangements	**5,497,839**	4,875,532
Receivables for BT arrangements	**249,639**	244,638
Provision for impairment	**—**	—
Net trade receivables	**5,747,478**	5,120,170
Portion classified as current	**1,167,796**	1,072,687
Non-current portion	**4,579,682**	4,047,483

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 2015, the Group's financial receivables with a carrying value of approximately RMB3,124,595,000(31 December 2014: RMB3,060,477,000) are pledged to secure certain bank loans granted to the Group as at 30 June 2015 (note 14).

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 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 2015 RMB'000	31 December 2014 RMB'000
Trade receivables		
Receivables for service concession arrangements	**277,749**	197,971
Receivables for BT arrangements	**250,882**	298,695
Receivables for other construction service projects and other water treatment projects	**2,768**	3,000
Provision for impairment	**—**	—
Net trade receivables	**531,399**	499,666
Bills receivable	**10,000**	3,600
	541,399	503,266

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 each reporting period is as follows:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Within 3 months	**155,345**	201,138
4 to 6 months	**51,477**	173,416
7 to 12 months	**235,256**	38,581
Over 12 months	**89,321**	86,531
	531,399	499,666

At 30 June 2015, the Group's trade receivables with a carrying value of approximately RMB336,097,000 (31 December 2014: RMB326,590,000) are pledged to secure certain bank loans granted to the Group as at 30 June 2015 (note 14).

12. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2015 RMB'000	31 December 2014 RMB'000
Cash and bank balances	**1,026,210**	1,259,223
Less: Pledged deposits	**(180,581)**	(511,940)
Cash and cash equivalents	**845,629**	747,283
Cash and bank balances denominated in:		
– RMB	**699,108**	701,163
– United States dollars	**1,728**	19,958
– Hong Kong dollars	**144,793**	26,162
Cash and cash equivalents	**845,629**	747,283

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 2015, the Group's pledged deposits with a carrying value of approximately RMB111,829,000(31 December 2014: RMB437,920,000) were pledged to secure certain bank loans granted to the Group (note 14).

13. TRADE AND BILLS PAYABLES

Trade and bills payables are non-interest-bearing. The credit periods granted by each individual supplier are on a case-by-case basis and set out in the supplier contracts.

For retention money payables, included in trade payables, in respect of guarantees granted by the suppliers, the due dates usually range from one to two years after the completion of the construction work or the preliminary acceptance of equipment.

	30 June 2015 RMB'000	31 December 2014 RMB'000
Bills payable (note (a))	**79,991**	153,417
TOT payables (note (b))	**16,985**	16,985
Trade payables	**576,957**	557,965
	673,933	728,367
Less: non-current portion	**3,062**	2,974
Current portion	**670,871**	725,393

Notes:

(a) The Group's bills payable are secured by the pledged deposits amounting to RMB67,452,000 as at 30 June 2015 (31 December 2014: RMB72,720,000).

(b) TOT payables represented amounts due to the grantors based on payment schedules set out in the relevant TOT contracts at the end of each reporting period.

An aged analysis of the Group's trade and bills payables at the end of each reporting period is as follows:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Within 3 months	**249,955**	256,398
4 to 6 months	**138,567**	207,140
7 to 12 months	**152,438**	140,660
Over 12 months	**132,973**	124,169
	673,933	728,367

The carrying amounts of the current portion of the trade and bills payables approximate to their fair values as at 30 June 2015.

14. INTEREST-BEARING BANK BORROWINGS

	30 June 2015			31 December 2014		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – unsecured	**5.36-7.00**	**2015-2016**	**600,000**	6.30-7.00	2015	200,000
Bank loans – secured	**5.04-6.72**	**2015-2016**	**381,260**	5.04-6.72	2015	782,000
Current portion of long term bank loans – unsecured	**—**	**—**	**—**	6.46	2015	90,000
Current portion of long term bank loans – secured	**5.93-8.00**	**2015-2016**	**653,832**	6.40-8.52	2015	673,781
			1,635,092			1,745,781
Non-current						
Long term bank loans – secured	**5.93-8.00**	**2016-2025**	**2,305,538**	6.40-8.52	2016-2024	1,811,023
			2,305,538			1,811,023
			3,940,630			3,556,804

All the interest-bearing bank borrowings are denominated in RMB.

The above secured bank borrowings are secured by certain assets with carrying values as follows:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Property, plant and equipment	**23,848**	24,703
Investment properties	**2,108**	2,108
Financial receivables (note 10)	**3,124,595**	3,060,477
Trade and bills receivables (note 11)	**336,097**	326,590
Pledged deposits (note 12)	**111,829**	437,920

The Group's bank borrowings of approximately RMB94,200,000 as at 30 June 2015 (31 December 2014: RMB108,700,000) were secured by the investment in the subsidiary, Beijing Chang Sheng Si Yuan Environmental Protection Technology Co., Ltd.

The Group's bank borrowings of Nil as at 30 June 2015 (31 December 2014: RMB75,000,000) were guaranteed by Mr. Zhao Junxian and Mr. Zhao Sizhen, the son of Mr. Zhao Junxian, who are the controlling shareholders, and Chongqing Kangte Environmental Protection Industry Holdings Co., Ltd., an external affiliate party of the Group (note 19(a)).

15. SUBSEQUENT EVENTS

On 17 July 2015, Kangda Holdings Company Limited ("Kangda Holdings"), a controlling shareholder of the Company, entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with Baring Private Equity Asia V Holding (5) Limited ("Baring V"), a substantial shareholder of the Company, pursuant to which Kangda Holdings has agreed to purchase, and Baring V has agreed to sell, an aggregate of 60,000,000 shares (the "Sale Shares") of HK$0.01 each of the Company (the "Shares") at the aggregate consideration of HK$231,000,000 (equivalent to HK$3.85 per Sale Share) (the "Proposed Acquisition"). Upon full completion of the Proposed Acquisition, Kangda Holdings will be interested in approximately 55.86% of the issued share capital of the Company.

The sale and purchase of 20,000,000 Sale Shares has taken place up to the date of this announcement and the sale and purchase of the remaining 40,000,000 Sale Shares will be completed in accordance with the Sale and Purchase Agreement.

16. APPROVAL OF ISSUANCE OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were authorised for issue by the board of directors on 26 August 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Investments in the environmental protection industry, which includes pollution and emission reduction and control, has experienced rapid growth as the PRC Government and society have become increasingly aware of the importance of environmental protection. The PRC Government has identified the environmental protection industry as a strategic industry for long-term development.

On 1 January 2015, the Chinese government implemented the new environmental laws which imposed more stringent regulatory requirements for corporations, local government bodies and regulatory authorities. In addition, the Chinese government has urged local government bodies and corporations to take the initiative to increase investments in environmental protection and to speed up the progress of rectifications for complying with environmental laws.

On 16 April 2015, the "Water Pollution Prevention Plan" was implemented to ensure the water quality in the PRC by controlling pollutant emissions, promoting economic restructuring and upgrading the existing discharge standard which will effectively to ensure the water quality of the PRC as a whole. Meanwhile, higher standards have been raised for urban sewage treatment, especially for the sewage treatment facilities in the major urban areas, which will need to be upgraded to A emission standards before the end of 2017.

On 27 April 2015, the Chinese Ministry of Finance and the Ministry of Environmental Protection jointly issued the "Opinions on promoting the cooperation in the use of the Government and the social capital in the field of water pollution prevention and control" to promote cooperation in the use of government and social capital (PPP) mode in the prevention and treatment of water pollution, to improve the environmental quality of the supply of public goods and services and to enhance the capacity and efficiency of water pollution prevention.

Under the impetus of the national strategy, corporate businesses and investors in the capital markets are increasingly attentive of the environmental protection industry.

DEVELOPMENT STRATEGIES AND FUTURE DEVELOPMENT

Kangda International Environmental Company Limited is a leading privately-owned company for investing in and operating wastewater treatment facilities in the PRC and is among the first privately-owned participants in the wastewater treatment industry in the PRC, with over 19 years of experience in successfully implementing wastewater treatment projects for customers. The Group has accumulated significant technical expertise and operational experience, which enables it to timely select accurate process technologies and utilize efficient management strategies in line with the status of project.

The Group aims to maintain its position as a leading privately-owned wastewater treatment service provider in the PRC, though, among others, continuing to expand its existing project portfolio and extending its geographic reach, pursuing selective business acquisition opportunities, strengthening its technical capabilities and project management to further improve the operational efficiency, expanding into other business activities ancillary to wastewater treatment to capitalize on developments in the industry value chain and strengthening the Group's talent base through enhanced recruiting and training programs.

To strengthen the internal management, the Group will continue to strengthen its risk control, optimize debt structure, enhance staff skill training, increase investments in technical research and development and quantify the examination, rewards and penalty mechanism to generate greater benefits for the Group through active and positive control.

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 and water distribution plants has extended to 63 projects in 9 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 Group's prospects and future profitability.

Service Concession Arrangements

As at 30 June 2015 the Group had entered into total of 63 service concession arrangements projects including 62 wastewater treatment plants and 1 water distribution plant. Total daily treatment capacity for new wastewater project secured for the six-month period ended 30 June 2015 was 50,000 tonnes, a project for Shangqiu City Sixth Wastewater Treatment Plant Phase I* (商丘市第六污水處理廠一期).

As at 30 June 2015, the Group's total daily wastewater treatment capacity was approximately 2,522,000 tonnes, representing a slight increase of approximately 2% as compared with the capacity of approximately 2,472,000 tonnes as at 31 December 2014, due to the increasingly high competitive level in the wastewater investment market in Mainland China. Also, the status of the water supply project remained same as at 31 December 2014.

Analysis of the Group's service concession arrangements projects on hand as at 30 June 2015 is as follow:

	Wastewater treatment	**Water distribution**	**Total**
(Tonnes)			
In operation	2,062,000	—	2,062,000
Not yet start operation/Not yet transferred	460,000	31,300	491,300
Total	2,522,000	31,300	2,553,300
(Number of projects)			
In operation	49	—	49
Not yet start operation/Not yet transferred	13	1	14
Total	62	1	63

* For identification purpose only

	Number of projects	**Treatment capacity**	**Actual treatment capacity during the six-month period ended 30 June 2015**
		(Tonnes/Day)	(Million Tonnes)
Henan	17	875,000	110.0
Shandong	27	890,000	95.0
Anhui	5	225,000	33.4
Jiangsu	4	62,000	10.2
Other provinces/municipalities*	9	470,000	48.1
	62	2,522,000	296.7
Water distribution services	1	31,300	—
	63	2,553,300	296.7

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

Operation Services

As at 30 June 2015, the Group had 49 wastewater treatment projects in operation in Mainland China. Total daily treatment capacity in operation of wastewater treatment plants as at 30 June 2015 reached 2,062,000 tonnes (31 December 2014: 1,920,000 tonnes). For the six-month period ended 30 June 2015, the annualised utilisation rate for wastewater treatment plants in operation was approximately 80%. The actual average wastewater treatment tariff for the six-month period ended 30 June 2015 was approximately RMB1.31 per tonne. The actual aggregate processing volume for the six-month period ended 30 June 2015 was 296.7 million tonnes, which contributed by subsidiaries recorded a revenue of RMB295.8 million for the six-month period ended 30 June 2015 (six-month period ended 30 June 2014: RMB194.2 million).

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 2015, construction revenue was recognised for 13 BOT projects, including 12 wastewater treatment plants and 1 water distribution plant, which were mainly located in the Henan and Shandong provinces in Mainland China. Total construction revenue of those BOT projects was RMB271.2 million (six-month period ended 30 June 2014: RMB482.1 million) due to decrease in commencement of construction work caused by decrease in new projects. As at 30 June 2015, the total daily treatment capacity of these wastewater treatment plants and one water distribution plant, which were still in the construction stage, was 401,300 tonnes. Most of these projects are expected to commence operation in the second half of 2015.

BT Arrangements

As at 30 June 2015, 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 2015, we did not enter into any new BT projects.

For the six-month period ended 30 June 2015, BT arrangements contributed a revenue of RMB28.6 million (six-month period ended 30 June 2014: RMB3.0 million) due to some closures to individual projects of our BT projects.

Other Services

For the six-month period ended 30 June 2015, the Group's other services contributed a revenue of RMB26.8 million (six-month period ended 30 June 2014: RMB77.5 million). Such decrease was mainly due to the major construction work conducted for the Jiaozuo municipal government in the year 2014.

FINANCIAL ANALYSIS

Revenue

For the six-month period ended 30 June 2015, the Group recorded a revenue of RMB784.6 million, representing a decrease of approximately 9% as compared to the previous corresponding period of RMB864.0 million. The decrease was mainly due to the decrease in construction revenue of RMB241.6 million, despite of the increase in operating revenue of RMB102.8 million and the increase in financial income of RMB59.4 million, respectively. The decrease in construction revenue was mainly due to the decrease in commencement of construction work for the Group's BOT projects; while the increase in operation revenue as well as financial income was mainly due to the increase in Group's total wastewater treatment capacity. For details, please refer to ***Business Review-Operation Services*** and ***Construction Services*** above.

Cost of Sales

The Group's cost of sales for the six-month period ended 30 June 2015 amounted to RMB413.7 million, representing a decrease of approximately 25% as compared to the previous corresponding period of RMB553.1 million. The decrease was due to the decrease in construction costs of RMB198.2 million, despite of the increase in operating costs amounted to RMB58.8 million. Cost of sales mainly included construction costs of RMB256.7 million and operating costs of wastewater treatment plants of RMB157.0 million. For details, please refer to ***Business Review-Operation Services*** and ***Construction Services*** above.

Gross Profit Margin

For the six-month period ended 30 June 2015, gross profit margin was approximately 47%, representing an increase of 11 percentage points as compared to the previous corresponding period of approximately 36%. The gross margin for service concession arrangements increased to 48% compared to the previous corresponding period of 38%, due to the increase of proportion operation margin, which is higher than construction margin. Gross margin for BT arrangements decreased to 53% compared to the previous corresponding period of 100%, primarily due to the construction cost incurred for the six-month period ended 30 June 2015, meanwhile no costs was charged to financial income in the previous corresponding period. For details, please refer to ***Business Review – BT arrangements***. Gross margin for other services remained at a similar level for the six-month period ended 30 June 2015 with a minor decrease of one percentage point, due to the decrease of construction work conducted for the Jiaozuo municipal government.

Other Income and Gains

The Group recorded other income and gains of RMB15.1 million for the six-month period ended 30 June 2015, compared to the previous corresponding period of RMB9.8 million. The amount for this period primarily included government grants of RMB4.1 million, bank interest income of RMB4.9 million and foreign exchange gain of RMB5.0 million.

Administrative Expenses

Administrative expenses for the six-month period ended 30 June 2015 was RMB83.8 million, compared to the previous corresponding period of RMB64.3 million. The increase was mainly due to the increase in staff costs of RMB0.7 million and increase expenses related to share option scheme amounting to RMB15.4 million.

Finance Costs

Finance costs for the six-month period ended 30 June 2015 mainly represented interests on interest-bearing bank borrowings of RMB119.4 million, compared to RMB96.4 million the previous corresponding period. The increase in finance costs was mainly due to the increase of interest-bearing bank borrowings 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 2015 included the current PRC income tax of RMB10.8 million and deferred tax expenses of RMB29.1 million, compared to RMB13.6 million and RMB22.1 million for the previous corresponding period, respectively. The Group's effective tax rate for the six-month period ended 30 June 2015 was about 22% (six-month period ended 30 June 2014: 22%).

Financial Receivables

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Receivables for service concession arrangements	**5,497,839**	4,875,532
Receivables for BT arrangements	**249,639**	244,638
Subtotal of financial receivables	**5,747,478**	5,120,170
Portion classified as current	**1,167,796**	1,072,687
Non-current portion	**4,579,682**	4,047,483

As at 30 June 2015, the Group's financial receivables was RMB5,747.5 million, compared to RMB5,120.2 million as at 31 December 2014. The increase was primarily due to the increase in construction of our BOT service concession arrangements projects and acquisition of wastewater treatment projects through business combination.

Trade and Bills Receivables

As at 30 June 2015, the Group's trade and bills receivables of RMB541.4 million (31 December 2014: RMB503.3 million) mainly arose from the provision of wastewater treatment services for our service concession arrangements projects. The balance increased by RMB38.1 million, mainly due to: firstly, the increase of service concession arrangements receivables of approximately RMB79.7 million; secondly, the decrease of BT project receivables of approximately RMB47.8 million due to settlement of the Group's BT receivables.

Cash and Cash Equivalents

As at 30 June 2015, the Group's cash and cash equivalents of RMB845.6 million (31 December 2014: RMB747.3 million) increased by RMB98.3 million. The increase was mainly due to increase of Group's interest-bearing bank borrowings.

	For the six-month period ended 30 June	
	2015	2014
	RMB'000	RMB'000
Net cash flow used in operating activities[1]	**(348,201)**	(317,399)
Net cash flow from investing activities	**262,347**	79,216
Net cash flow from financing activities	**184,246**	281,420
Net increase in cash and cash equivalents	**98,392**	43,237
Effect of foreign exchange rate changes	**(46)**	70
Cash and cash equivalents at beginning of the period	**747,283**	275,562
Cash and cash equivalents at end of the period	**845,629**	318,869

Note:

(1) For the six-month period ended 30 June 2015 and 2014, we invested RMB222.8 million and RMB379.2 million, respectively, in our BOT and TOT projects. Such investments were counted towards cash flow used in operating activities. Under the relevant accounting treatment, part of such cash outflow used in operating activities was used to form the non-current portion of financial receivables in our interim condensed consolidated statement of financial position. For the six-month period ended 30 June 2015 and 2014, we would have incurred cash outflows of RMB125.4 million and cash inflows of RMB61.8 million, respectively, if our investments in BOT and TOT activities were not accounted for as cash flows used in operating activities.

For details of the currencies in which cash and cash equivalents are made, please refer to note 12 to the interim condensed consolidated financial statements.

Trade and Bills Payables

As at 30 June 2015, the Group's trade and bills payables of RMB673.9 million (31 December 2014: RMB728.4 million) decreased by RMB54.5 million, which was mainly due to the settlement in trade payables to subcontractors.

Liquidity and Financial Resources

Our 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 our facilities, working capital and general corporate purpose.

As at 30 June 2015, the carrying amount of the Group's cash and bank deposits was RMB1,026.2 million, representing a decrease of approximately RMB233.0 million as compared to RMB1,259.2 million as at 31 December 2014, which was mainly due to net cash inflows from financing activities of RMB184.2 million, settlements of acquisition payables amounting to RMB69.4 million from investing activities and net cash outflows from operating activities of RMB348.2 million.

The Group's total interest-bearing bank borrowings amounted to RMB3,940.6 million as at 30 June 2015 (31 December 2014: RMB3,556.8 million), over 95% of which bear interest at floating rates.

As at 30 June 2015, the Group had banking facilities amounting to RMB9,918.8 million, of which RMB5,113 million have not been utilised. Of the unutilised banking facilities as at that date, RMB4,103 million were unrestricted facilities and the remaining RMB1,010.0 million were restricted facilities, which are limited to be utilised on investments in wastewater treatment projects only.

As at 30 June 2015 the gearing ratio (calculated by net debt divided by capital and net debt) is 55%, while the gearing ratio was 52% as at 31 December 2014. The increase of gearing ratio is mainly due to the increase of the interest-bearing bank borrowings.

Charges on the Group's Assets

Outstanding balance of interest-bearing bank borrowings as at 30 June 2015 was approximately RMB3,940.6 million, which were repayable within three months 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 RMB3,598.5 million.

USE OF THE NET PROCEEDS FROM THE GLOBAL OFFERING

The net proceeds from the Global Offering amounted to approximately HK$1,480.6 million. The use of proceeds has been consistent with the disclosure in the prospectus of the Company dated 23 June 2014 (the "Prospectus"), and the respective use of the net proceeds until 30 June 2015 is as follows:

	HK$ million		
	Available	**Utilised**	**Unutilised**
Expanding			
our business and project portfolio	1,026.6	427.6	599.0
– through BOT projects and TOT projects,			
including expansion and upgrade projects	454.0	189.1	264.9
– through business acquisition	572.6	238.5	334.1
Repayment of existing short-term bank borrowings	259.4	108.1	151.3
Working capital and general corporate purpose	129.7	54.0	75.7
Purchase of electronic systems and software	64.9	–	64.9
	1,480.6	589.7	890.9

EMPLOYEES AND REMUNERATION POLICIES

The Group had 1,732 employees as at 30 June 2015. 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 2015, the Group did not have any significant contingent liabilities (31 December 2014: 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 2015, except for the bank deposits 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 recognized standards of corporate governance principles and practices has always been one of the top priorities of the Company. The Board of the Company 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 Board is of the view that during the six months ended 30 June 2015, 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 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 2014: Nil).

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Period, 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 that competes or may compete with the business of the Group or have or may have any conflict 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 report.

EVENTS AFTER THE REPORTING PERIOD

On 17 July 2015, Kangda Holdings Company Limited ("Kangda Holdings"), a controlling shareholder of the Company, entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with Baring Private Equity Asia V Holding (5) Limited ("Baring V"), a substantial shareholder of the Company, pursuant to which Kangda Holdings has agreed to purchase, and Baring V has agreed to sell, an aggregate of 60,000,000 shares (the "Sale Shares") of HK$0.01 each of the Company (the "Shares") at the aggregate consideration of HK$231,000,000 (equivalent to HK$3.85 per Sale Share) (the "Proposed Acquisition"). Upon full completion of the Proposed Acquisition, Kangda Holdings will be interested in approximately 55.86% of the issued share capital of the Company.

The sale and purchase of 20,000,000 Sale Shares has taken place up to the date of this announcement and the sale and purchase of the remaining 40,000,000 Sale Shares will be completed in accordance with the Sale and Purchase Agreement.

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 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. Yuan Shaoli and Mr. Peng Yongzhen, 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 Period. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and 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. Yuan Shaoli, Mr. Gu Weiping and Mr. Peng Yongzhen, and Mr. Yuan Shaoli 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. Yuan Shaoli and Mr. Peng Yongzhen, and Mr. Zhao Juanxian (alias, Zhao Junxian) is the chairman of the Nomination Committee.

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 2015.

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

During the six months ended 30 June 2015, 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 2015 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, 26 August 2015

As at the date of this announcement, the Board comprises nine 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 non-executive Director; and Mr. TSUI Yiu Wa Alec, Mr. YUAN Shaoli and Mr. PENG Yongzhen as independent non-executive Directors.