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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

HIGHLIGHTS

- Revenue was approximately RMB1,812.8 million, representing an increase of approximately 35% as compared with last year.
- Profit attributable to owners of the parent was approximately RMB294.8 million, representing an increase of approximately 27% as compared with last year.
- Basic and diluted earnings per share attributable to ordinary equity holders of the parent for the year was RMB16.60 cents.
- As at 31 December 2014, total daily wastewater treatment capacity was 2,472,000 tonnes, representing an increase of 34% as compared with the capacity of 1,847,000 tonnes as at 31 December 2013.
- The Board of the Company did not recommend the payment of final dividend for the year ended 31 December 2014.

The board (the "Board") of directors (the "Directors") of Kangda International Environmental Company Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2014 together with the comparative figures for the year ended 31 December 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2014

	Notes	**2014** **RMB'000**	2013 RMB'000
REVENUE	3	**1,812,781**	1,339,679
Cost of sales		**(1,087,579)**	(826,258)
Gross profit		**725,202**	513,421
Other income and gains	4	**47,560**	48,455
Selling and distribution expenses		**(8,461)**	(8,659)
Administrative expenses		**(169,168)**	(103,906)
Other expenses		**—**	(3,939)
Finance costs	6	**(218,978)**	(167,698)
Share of profit and loss of an associate		**5,561**	4,005
PROFIT BEFORE TAX	5	**381,716**	281,679
Income tax expense	7	**(85,241)**	(49,050)
PROFIT FOR THE YEAR		**296,475**	232,629
OTHER COMPREHENSIVE INCOME		**—**	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**296,475**	232,629
Attributable to:			
Owners of the parent		**294,788**	231,563
Non-controlling interests		**1,687**	1,066
		296,475	232,629
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
– Basic and diluted		**RMB16.60 cents**	RMB15.44 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	**31 December 2014 RMB'000**	31 December 2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**79,522**	80,303
Investment properties		**2,108**	2,366
Investment in an associate		**48,754**	50,393
Intangible assets		**1,321**	845
Financial receivables	9	**4,047,483**	2,571,274
Deferred tax assets		**30,239**	15,449
Total non-current assets		**4,209,427**	2,720,630
CURRENT ASSETS			
Inventories		**5,248**	3,108
Construction contracts	10	**420,670**	551,325
Financial receivables	9	**1,072,687**	714,398
Trade and bills receivables	11	**503,266**	229,362
Prepayments, deposits and other receivables		**140,289**	80,098
Pledged deposits		**511,940**	139,324
Cash and cash equivalents		**747,283**	275,562
Total current assets		**3,401,383**	1,993,177
CURRENT LIABILITIES			
Trade and bills payables	12	**725,393**	537,452
Other payables and accruals		**133,596**	53,456
Interest-bearing bank borrowings	13	**1,745,781**	785,341
Tax payable		**10,190**	4,915
Total current liabilities		**2,614,960**	1,381,164
NET CURRENT ASSETS		**786,423**	612,013
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,995,850**	3,332,643

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Notes	**31 December 2014 RMB'000**	31 December 2013 RMB'000
NON-CURRENT LIABILITIES			
Trade and bills payables	12	**2,974**	6,440
Interest-bearing bank borrowings	13	**1,811,023**	1,802,048
Deferred tax liabilities		**257,138**	171,425
Total non-current liabilities		**2,071,135**	1,979,913
Net assets		**2,924,715**	1,352,730
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**16,444**	—
Reserves		**2,826,469**	1,340,381
		2,842,913	1,340,381
Non-controlling interests		**81,802**	12,349
Total equity		**2,924,715**	1,352,730

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.1 BASIS OF PREPARATION

These financial statements of the Company and its subsidiaries (collectively referred to as the "Group") have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board ("IASB"). These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance.

The 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and new interpretation for the first time for the current year's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27	*Investment Entities*
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to IAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to IAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
IFRIC 21	*Levies*
Amendment to IFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to IFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to IFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to IFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective IFRSs*

1 Effective for annual periods beginning on or after 1 July 2014

Except for the amendment to IFRS 1 which is only relevant to an entity's first IFRS financial statements, the nature and the impact of each amendment and interpretation is described below:

(a) Amendments to IFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27. The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in IFRS 10.

(b) The IAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.

(c) The IAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(d) IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group does not have such kind of levies.

(e) The IFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

(f) The IFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity 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. The amendment has had no impact on the Group.

(g) The IFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

2. 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 wastewater treatment plants (the "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, 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 before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that unallocated income and gains, finance costs as well as corporate and other unallocated expenses are excluded from such measurement.

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

Segment assets exclude investment properties, 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 purpose, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

2. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2014	Service concession arrangements RMB'000	BT arrangements RMB'000	Others RMB'000	Total RMB'000
Segment revenue				
Sales to external customers	1,499,578	167,535	145,668	1,812,781
	1,499,578	167,535	145,668	1,812,781
Segment results	644,095	96,602	14,497	755,194
Reconciliation:				
Unallocated income and gains				23,129
Corporate and other unallocated expenses				(177,629)
Finance costs				(218,978)
Profit before tax				381,716
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
Share of profit and loss of an associate	5,561	—	—	5,561
Reversal of impairment of trade receivables	5,114	—	—	5,114
Depreciation and amortisation	1,500	—	1,301	2,801
Unallocated depreciation and amortisation				3,919
Total depreciation and amortisation				6,720
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.

2. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2013	Service concession arrangements RMB'000	BT arrangements RMB'000	Others RMB'000	Total RMB'000
Segment revenue				
Sales to external customers	1,030,359	301,842	7,478	1,339,679
	1,030,359	301,842	7,478	1,339,679
Segment results	460,898	100,892	(48)	561,742
Reconciliation:				
Unallocated income and gains				4,139
Corporate and other unallocated expenses				(116,504)
Finance costs				(167,698)
Profit before tax				281,679
Segment assets	3,434,000	769,622	31,728	4,235,350
Reconciliation:				
Corporate and other unallocated assets				478,457
Total assets				4,713,807
Segment liabilities	1,866,434	209,888	13,154	2,089,476
Reconciliation:				
Corporate and other unallocated liabilities				1,271,601
Total liabilities				3,361,077
Other segment information				
Investment in an associate	50,393	—	—	50,393
Share of profit and loss of an associate	4,005	—	—	4,005
Impairment losses recognised in the statement of profit or loss	1,278	—	—	1,278
Depreciation and amortisation	717	—	1,285	2,002
Unallocated depreciation and amortisation				3,967
Total depreciation and amortisation				5,969
Capital expenditure	1,658	—	49	1,707
Unallocated amounts				10,747
Total capital expenditure*				12,454

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

2. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2014 RMB'000	2013 RMB'000
Mainland China	**1,812,781**	1,339,679

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2014 RMB'000	2013 RMB'000
Mainland China	**4,179,188**	2,705,181

All the non-current assets are located in Mainland China. The non-current asset information above excludes deferred tax assets.

Information about major customers

During the year, the revenues generated from the Group's customers who respectively amounted to over 10% of the Group's revenue, are as follows:

Year ended 31 December 2014

	Service concession arrangements RMB'000	**BT arrangements RMB'000**	**Total RMB'000**
Customer A	398,008	—	398,008
Customer B	267,978	8,119	276,097
	665,986	8,119	674,105

Year ended 31 December 2013

	Service concession arrangements RMB'000	BT arrangements RMB'000	Total RMB'000
Customer C	—	214,974	214,974
Customer B	136,270	11,227	147,497
	136,270	226,201	362,471

3. REVENUE

The Group has entered into a number of service concession arrangements with the certain governmental authorities or their designees (the "Grantors") on a BOT or a TOT basis in respect of its WTPs. These service concession arrangements generally involve the Group as an operator in (i) constructing WTPs for those arrangements on a BOT basis; (ii) paying a specific amount for those arrangements on a TOT basis; and (iii) operating WTPs on behalf of the Grantors for periods ranging from 17 to 30 years (the "Service Concession Periods"), and the Group will be paid for its services over the Service Concession Periods at prices stipulated through a pricing mechanism.

The Group also carries out construction works of municipal infrastructures or infrastructures related to WTPs under BT arrangements for certain BT customers and agrees with these BT customers to have a repurchase agreement for the construction work ranging from three to four years.

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 and TOT arrangements and the provision of O&M services; and (3) financial income on financial receivables. The amount of each significant category of revenue during the year is as follows:

	2014	2013
	RMB'000	RMB'000
Revenue from construction services	**1,106,077**	829,901
Revenue from operating services	**448,146**	328,008
Financial income	**258,558**	181,770
	1,812,781	1,339,679

4. OTHER INCOME AND GAINS

	2014	2013
	RMB'000	RMB'000
Bargain purchase gain on acquisition of subsidiaries	**19,654**	18,529
Bank interest income	**10,098**	3,356
Reversal of impairment of trade receivables	**5,114**	—
Foreign exchange differences	**5,071**	—
Government grants (note a)	**4,777**	7,088
Rental income less depreciation of investment properties	**361**	334
Gains on disposals of items of property, plant and equipment, net	**253**	20
Arrangement fee from a BT customer	**—**	18,699
Others	**2, 232**	429
	47,560	48,455

Note:

(a) Government grants represented the environmental protection funds for environmental technological improvements granted by government authorities. There are no unfulfilled conditions or contigencies relating to these grants.

5. PROFIT BEFORE TAX

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

	2014 RMB'000	2013 RMB'000
Cost for construction services	**854,407**	650,535
Cost for operation services	**233,172**	175,723
Total of cost of services	**1,087,579**	826,258
Depreciation of property, plant and equipment	**6,310**	5,609
Amortisation of intangible assets	**152**	102
Operating lease income	**(619)**	(592)
Less: depreciation of investment properties	**258**	258
Rental income less depreciation of investment properties	**(361)**	(334)
Minimum lease payments under operating leases for buildings	**6,006**	2,029
Auditors' remuneration	**3,000**	2,800
Employee benefit expense (including directors' remuneration):		
Wages, salaries and allowances, social securities and benefits	**101,112**	77,179
Pension scheme contributions (defined contribution scheme)	**10,215**	8,633
Equity-settled share option expenses	**1,191**	—
Total employee benefit expense	**112,518**	85,812

6. FINANCE COSTS

	2014 RMB'000	2013 RMB'000
Interest on bank borrowings	**218,978**	167,698

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 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), engaged in the operations of waste water 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 generating operating revenue (the "3+3 Tax Holiday"). At the end of the year, these subsidiaries were 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 that the revenues from principal activities comprise of more than 70% of the total revenues in the year.

7. INCOME TAX EXPENSE (continued)

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 during the year.

	2014	2013
	RMB'000	RMB'000
Current		
– Mainland China	**21,789**	14,455
Deferred	**63,452**	34,595
Total tax charge for the year	**85,241**	49,050

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:

	2014	**%**	2013	%
	RMB'000		RMB'000	
Profit before tax	**381,716**		281,679	
Income tax charge at the statutory income tax rate	**95,430**	**25.0**	70,419	25.0
Effect of the preferential income tax rate for some entities	**(12,327)**	**(3.2)**	(15,201)	(5.4)
Income not subject to tax	**(3,432)**	**(0.9)**	(2,618)	(0.9)
Expenses not deductible for tax purposes	**2,045**	**0.5**	2,083	0.7
Tax effect of tax losses not recognised	**9,828**	**2.6**	—	—
Tax effect of share of profit and loss of an associate	**(1,390)**	**(0.4)**	(1,001)	(0.4)
Tax effect of bargain purchase gain on acquisition of subsidiaries	**(4,913)**	**(1.3)**	(4,632)	(1.6)
Tax charge at the effective rate	**85,241**	**22.3**	49,050	17.4

The share of tax attributable to an associate amounting to RMB1,875,000 (2013: RMB1,314,000) is included in "Share of profit and loss of an associate" in the 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 year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year.

The diluted earnings per share was calculated by dividing the profit for the year 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 year.

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 year ended 31 December 2014 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:

	2014 **RMB'000**	2013 RMB'000
Earnings:		
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculation	**294,788**	231,563
	2014 **Number of shares**	2013 Number of shares
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculations	**1,775,431,068**	1,500,000,000

The weighted average numbers of ordinary shares for the purpose of the basic and diluted earnings per share calculations for 2014 and 2013 have been retrospectively adjusted to reflect the capitalisation of 1,499,990,000 shares of the Company issued upon the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 4 July 2014.

9. FINANCIAL RECEIVABLES

	31 December 2014 RMB'000	31 December 2013 RMB'000
Receivables for service concession arrangements	**4,875,532**	3,179,130
Receivables for BT arrangements	**244,638**	106,542
Provision for impairment	**—**	—
Net financial receivables	**5,120,170**	3,285,672
Portion classified as current	**1,072,687**	714,398
Non-current portion	**4,047,483**	2,571,274

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 31 December 2014, the Group's financial receivables with a carrying value of RMB3,060,477,000 (31 December 2013: RMB2,051,175,000) were pledged to secure certain bank loans granted to the Group.

10. CONSTRUCTION CONTRACTS

	31 December 2014 RMB'000	31 December 2013 RMB'000
Contract costs incurred plus recognised profits less recognised losses to date	**759,735**	1,039,849
Less: Progress billings	**(339,065)**	(488,524)
Gross amount due from contract customers for contract work	**420,670**	551,325

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.

	31 December 2014 RMB'000	31 December 2013 RMB'000
Trade receivables		
Receivables for service concession arrangements	**197,971**	90,295
Receivables for BT arrangements	**298,695**	76,759
Receivables for other construction service projects and other water treatment	**3,000**	6,474
Provision for impairment	**—**	(5,114)
	499,666	168,414
Bills receivable	**3,600**	60,948
	503,266	229,362

11. TRADE AND BILLS RECEIVABLES (continued)

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 year is as follows:

	31 December 2014 RMB'000	31 December 2013 RMB'000
Within 3 months	**201,138**	114,900
4 to 6 months	**173,416**	31,837
7 to 12 months	**38,581**	8,094
Over 12 months	**86,531**	13,583
	499,666	168,414

12. TRADE AND BILLS PAYABLES

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

For retention money payable, included in trade payable, 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.

	31 December 2014 RMB'000	31 December 2013 RMB'000
Bills payable (note (a))	**153,417**	178,883
TOT payables (note (b))	**16,985**	37,044
Trade payables	**557,965**	327,965
	728,367	543,892
Less: non-current portion	**2,974**	6,440
Current portion	**725,393**	537,452

Notes:

(a) As at 31 December 2014, the Group's bills payable are secured by the pledged deposits amounting to RMB72,720,000 (2013: RMB139,324,000).

(b) TOT payables represented amounts due to the Grantors based on payment schedules set out in the relevant TOT contracts at the end of the year.

12. TRADE AND BILLS PAYABLES (continued)

An ageing analysis of the Group's trade and bills payables as at the end of the year is as follows:

	31 December 2014 RMB'000	31 December 2013 RMB'000
Within 3 months	**256,398**	83,160
4 months to 6 months	**207,140**	231,451
7 months to 12 months	**140,660**	161,026
Over 12 months	**124,169**	68,255
	728,367	543,892

The carrying amounts of the current portion of the trade and bills payables approximate to their fair values.

13. INTEREST-BEARING BANK BORROWINGS

	2014			2013		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – unsecured	**6.30-7.00**	**2015**	**200,000**	6.30	2014	50,000
Bank loans – secured	**5.04-6.72**	**2015**	**782,000**	6.30-7.80	2014	265,000
Current portion of long term bank loans - unsecured	**6.46**	**2015**	**90,000**	6.46-6.88	2014	13,800
Current portion of long term bank loans - secured	**6.40-8.52**	**2015**	**673,781**	6.40-7.53	2014	456,541
			1,745,781			785,341
Non-current						
Long term bank loans – unsecured			**—**	6.46-6.88	2015-2022	158,452
Long term bank loans – secured	**6.40-8.52**	**2016-2024**	**1,811,023**	6.40-7.53	2015-2023	1,643,596
			1,811,023			1,802,048
			3,556,804			2,587,389

All the interest-bearing bank borrowings denominated in RMB.

14. EVENTS AFTER THE REPORTING PERIOD

On 30 December 2014, Chongqing Kangda, an indirectly wholly-owned subsidiary of the Company, entered into an agreement with Henan Xindi Environmental Protection Investment Co., Ltd. (河南鑫迪環保投資有限公司) ("Henan Xindi"), for the acquisition of a 80% equity interest in Pingdingshan City Bay Water Treatment Co., Ltd. (平頂山海灣水務有限公司) ("Pingdingshan City Bay"), which is a wholly-owned subsidiary of Henan Xindi, at a consideration of RMB229.8 million, of which RMB30.0 million has been paid in 2014. Since the acquisition was not yet completed on the date of approval of these financial statements, it is not practicable to disclose further details about the acquisition.

On 10 February 2015, the Company entered into a cooperation agreement (the "Cooperation Agreement") with the Graduate School of Shenzhen, Tsinghua University (清華大學深圳研究生院) (the "Tsinghua Graduate School") in relation to the proposed joint-establishment of Tsinghua-Kangda Environment Nano Engineering Technology Institute (清華-康達環境納米工程技術研究院) (the "Institute"), which will be an unincorporated entity under administration of the Tsinghua Graduate School. As agreed upon the Cooperation Agreement, the Company will invest no less than RMB50.0 million in research and development of wastewater treatment technologies and products during the cooperation periods.

MANAGEMENT DISCUSSION AND ANALYSIS

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 62 projects in 9 provinces and municipalities all across Mainland China.

Service Concession Arrangements

As at 31 December 2014, the Group had entered into total of 62 service concession arrangements projects including 61 wastewater treatment plants and 1 water distribution plant. Total daily treatment capacity for new wastewater projects secured for this year was 625,000 tonnes including (i) BOT projects of 175,000 tonnes; (ii) TOT projects of 70,000 tonnes; and (iii) 380,000 tonnes through mergers and acquisitions including (a) 50,000 tonnes acquired from Dalian Langxinming Environmental Engineering Co., Ltd.*(大連郎新明環境工程有限公司); (b) 140,000 tonnes acquired from Shandong Guohuan Industrial Investment Co., Ltd* (山東國環產業投資有限公司); (c) 60,000 tonnes acquired from Xinzheng Municipal Xinyuan Wastewater Treatment Co., Ltd.* (新鄭市新源污水處理有限責任公司); and (d) 130,000 tonnes acquired from Henan Xindi Environmental Protection Investment Co., Ltd.*(河南鑫迪環保投資有限公司).

As at 31 December 2014, total daily wastewater treatment capacity was approximately 2,472,000 tonnes, representing an increase of approximately 34% as compared with the capacity of approximately 1,847,000 tonnes as at 31 December 2013. The status of the water supply project remained same as at 31 December 2013.

* *For identification purpose only*

Analysis of the Group's service concession arrangements projects on hand as at 31 December 2014 is as follow:

	Wastewater treatment	**Water distribution**	**Total**
(Tonnes)			
In operation	1,920,000	—	1,920,000
Not yet start operation/Not yet transfer	552,000	31,300	583,300
Total	2,472,000	31,300	2,503,300
(Number of projects)			
In operation	46	—	46
Not yet start operation/Not yet transfer	15	1	16
Total	61	1	62

	Number of projects	**Treatment capacity** *(Tonnes/Day)*	**Actual treatment capacity during the year** *(Million Tonnes)*
Henan	16	825,000	181.8
Shandong	27	890,000	159.7
Anhui	5	225,000	64.9
Jiangsu	4	62,000	20.2
Other provinces/municipalities*	9	470,000	84.6
	61	2,472,000	511.2
Water distribution services	1	31,300	—
	62	2,503,300	511.2

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

Operation Services

As at 31 December 2014, the Group had 46 wastewater treatment projects in operation in Mainland China. Total daily treatment capacity in operation of wastewater treatment plants as at 31 December 2014 reached 1,920,000 tonnes (31 December 2013: 1,390,000 tonnes). For the year ended 31 December 2014, the annual utilisition rate for wastewater treatment plants in operation is approximately 87%. The actual average wastewater treatment tariff for the year ended 31 December 2014 was approximately RMB1.14 per tonne. The actual aggregate processing volume for the year was 511.2 million tonnes, which contributed by subsidiaries recorded a revenue of RMB444.2 million for the year (2013: RMB325.7 million).

Construction Services

The Group entered into a number of service concession arrangements under BOT contract 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.

During the year ended 31 December 2014, construction revenue was recognised for 21 BOT projects, including 20 wastewater treatment plants and 1 water distribution plant, which were mainly located in the Henan and Shandong provinces of Mainland China. Total construction revenue of those BOT projects was RMB811.2 million (2013: RMB531.6 million). As at 31 December 2014, the total daily treatment capacity of these wastewater treatment plants and one water distribution plant, which were still in the construction stage, was 433,300 tonnes, most of these projects are expected to commence operation in the year 2015.

BT Arrangements

As at 31 December 2013, the Group had four BT projects for the construction of municipal water supply, drainage network and municipal infrastructure. In 2014, we did not enter into new BT projects.

During the year ended 31 December 2014, the Group finalised and entered into the repurchase agreement with the customer of Jilin BT Project, according to which the Group further finalised the subcontract with suppliers and recognised construction revenue and cost respectively. During the year ended 31 December 2014, the Group's BT arrangements contributed a revenue of RMB167.5 million (2013: RMB301.8 million).

Other Services

As at 31 December 2014, the Group provided O&M services, construction services related to other construction service projects and other water treatment services. For the year ended 31 December 2014, the Group's other services contributed revenue of RMB145.7 million (2013: RMB7.5 million).

FINANCIAL ANALYSIS

Revenue

During the year ended 31 December 2014, the Group recorded revenue of RMB1,812.8 million, representing an increase of approximately 35% as compared to last year of RMB1,339.7 million. The increase was mainly due to the increase in construction revenue and operating revenue amounted to RMB276.2 million and RMB120.2 million, respectively. Increase in construction revenue was mainly due to the commencement of construction of Jiaozuo City Wastewater Treatment Plant Phase II Expansion project, Jiaozuo Industrial Park Upgrade and Expansion project, Suihua Municipal Wastewater Treatment Plant Phase II, and Shandong Liangshan Economic Development Zone Wastewater Treatment Plant project and continuously construction work that we conducted for the Jiaozuo municipal government; while increase in operation revenue was mainly due to an increase in actual wastewater treatment capacity. For details, please refer to ***Business Review-Operation Services*** and ***Construction Services*** above.

Cost of sales

Cost of sales for the year amounted to RMB1,087.6 million, representing an increase of approximately 32%, as compared to last year of RMB826.3 million. The increase was due to the increase in construction costs and operating costs amounted to RMB203.9 million and RMB57.4 million respectively. Cost of sales mainly included construction costs of RMB854.4 million and operating costs of wastewater treatment plants of RMB233.2 million. The construction costs mainly consisted of contractor costs, installation of equipment costs and procurement costs. The increase in construction costs was mainly due to the increase in construction works for Jiaozuo City Wastewater Treatment Plant Phase II Expansion project, Jiaozuo Industrial Park Upgrade and Expansion project, Suihua Municipal Wastewater Treatment Plant Phase II, and Shandong Liangshan Economic Development Zone Wastewater Treatment Plant project and continuously construction work that we conducted for the Jiaozuo municipal government. The operating costs of wastewater treatment plants, mainly included electricity costs, staff costs and maintenance costs. The increase in operating costs was mainly due to increase in actual wastewater processing capacity.

Gross profit margin

During the year ended 31 December 2014, gross profit margin was approximately 40%, representing a minor increase of two percentage points to last year of approximately 38%. The gross margin for service concession arrangements remained at the same level to last year at 41%, with a minor decrease of 1% due to drop of construction margin, which is due to the increasing proportion of construction margin recorded for service concession arrangement projects. Gross margin for BT arrangements increased from 27% last year to 58% this year as the Group entered into the repurchase agreement of Jilin BT project, gross margin of which recognised this year was 59%. For details, please refer to ***Business Review - BT Arrangement***. Gross margin for other services increased from -1% last year to 10% this year, which was primarily due to the construction work that we conducted for the Jiaozuo municipal government.

Other income and gains

The Group recorded other income and gains of RMB47.6 million during the year ended 31 December 2014, compared to last year of RMB48.5 million. The amount for this year included government grants of RMB4.8 million, bargain purchase gains on acquisition of subsidiaries of RMB19.7 million, bank interest income of RMB10.1 million, foreign exchange gain of RMB5.1 million and reversal of impairment of trade receivables of RMB5.1 million.

Selling and distribution expenses

The Group's selling and distribution expenses for the year ended 31 December 2014 was RMB8.5 million, remained at a similar level to RMB8.7 million last year, which was as a result of continuously ongoing market expansion strategy.

Administrative expenses

Administrative expenses for the year ended 31 December 2014 was RMB169.2 million, compared to last year of RMB103.9 million. The increase was mainly due to the increase in staff costs of RMB20.9 million, increase of one-off professional fees and expenses incurred in connection with the Global Offering amounting to RMB20.0 million.

Other expenses

Other expenses for the year ended 31 December 2014 was nil, compared to last year of RMB3.9 million. The decrease was mainly due to the foreign exchange gains which were recognised in "Other income and gains" section.

Finance costs

Finance costs for the year ended 31 December 2014 mainly represented interests on interest-bearing bank borrowings of RMB219.0 million, compared to RMB167.7 million last year. The increase in finance costs was mainly due to increase of interest-bearing bank borrowings in line with the increase in project portfolio and Group's market expansion strategy.

Share of profit and loss of an associate

Share of profit and loss of an associate was RMB5.6 million, compared to RMB4.0 million last year, primarily due to the Group's associate Nanchang Qingshanhu Project Co., Ltd.*, which has a daily wastewater treatment capacity of 500,000 tonnes.

* *For identification purpose only.*

Income tax expense

Income tax expense for the year ended 31 December 2014 included the current PRC income tax of RMB21.8 million and deferred tax expenses of RMB63.5 million, compared to RMB14.5 million and RMB34.6 million for last year, respectively. The Group's effective tax rate was about 22% (2013:17%) which was lower than the PRC standard income tax rate of 25% as some of the 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 generating operating revenue (the "3+3 Tax Holiday"). The increase of effective tax rate was mainly due to the tax effect of tax losses not recognised in connection with the Global Offering.

Financial receivables

	As at 31 December	
	2014	**2013**
	RMB'000	*RMB'000*
Receivables for service concession arrangements	4,875,532	3,179,130
Receivables for BT arrangements	244,638	106,542
Subtotal of financial receivables	5,120,170	3,285,672
Portion classified as current	1,072,687	714,398
Non-current portion	4,047,483	2,571,274

As at 31 December 2014, the Group's financial receivables was RMB5,120.2 million, compared to RMB3,285.7 million as at 31 December 2013. The increase was primarily due to the increase in construction of our BOT service concession arrangements projects, acquisition of wastewater treatment projects through business combination and finalised repurchase agreement of Jilin BT project.

Construction contracts

As at 31 December 2014, construction contracts, which are gross amounts due from customers for contract work, was RMB420.7 million, compared to RMB551.3 million as at 31 December 2013. The decrease was primarily due to the repurchase of Jilin BT project and partially offset by construction work for Jiaozuo Municipal Government.

Trade and bills receivables

Trade and bills receivables of RMB503.3 million (31 December 2013: RMB229.4 million) mainly arose from the provision of wastewater treatment services for our service concession arrangements projects. The balance increased by RMB273.9 million, mainly due to: firstly, the increase of service concession arrangements receivables, approximately RMB107.7 million, as a result of increase of wastewater treatment capacity entered into operation and acquired through business combination respectively, for the year 2014; secondly, BT project receivables, approximately RMB221.9 million, relating to our Jilin BT project, which entered into the finalised repurchase agreement in the second half of this year.

Prepayments, deposits and other receivables

Prepayments, deposits and other receivables of RMB140.3 million (31 December 2013: RMB80.1 million) increased by RMB60.2 million, mainly due to the increase in advance payments to subcontractors and the investment deposit for the acquisition of Pingdingshan City Bay Water Treatment Co., Ltd..

Cash and cash equivalents

Cash and cash equivalents of RMB747.3 million (31 December 2013: RMB275.6 million) increased by RMB471.7 million. The increase was mainly due to unutilised net proceeds from the Global Offering.

	Year ended 31 December	
	2014	**2013**
	RMB'000	*RMB'000*
Net cash flow used in operating activities[1]	(634,384)	(205,773)
Net cash flow used in investing activities	(754,642)	(224,501)
Net cash flow from financing activities	1,860,437	164,743
Net increase/(decrease) in cash and cash equivalents	471,411	(265,531)
Effect of foreign exchange rate changes	310	(2,661)
Cash and cash equivalents at beginning of year	275,562	543,754
Cash and cash equivalents at end of year	747,283	275,562

Note:

(1) For the year ended 31 December 2014 and 2013, we invested RMB793.2 million and RMB471.7 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 consolidated statement of financial position. For the year ended 31 December 2014 and 2013, we would have incurred cash inflows of RMB158.8 million and RMB265.9 million, respectively, if our investments in BOT and TOT activities were not accounted for as cash flows used in operating activities.

Trade and bills payables

Trade and bills payables of RMB728.4 million (31 December 2013: RMB543.9 million) increased by RMB184.5 million, was mainly due to increase in trade payables to subcontractors as a result of increase in subcontracting charges for our construction services for service concession arrangements.

Other payables and accruals

Other payables and accruals of RMB133.6 million (31 December 2013: RMB53.5 million) increased by RMB80.1 million, which was mainly due to the consideration payables of RMB67.1 million for the acquisition of subsidiaries from Xinzheng Municipal Xinyuan Wastewater Treatment Co., Ltd. and Shandong Guohuan Industrial Investment Co., Ltd..

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 31 December 2014, the carrying amount of the Group's cash and bank deposits was RMB1,259.2 million, representing an increase of approximately 203% as compared to RMB414.9 million as at 31 December 2013, which was mainly attributable to the net proceeds received from the Global Offering but have not been utilised.

The Group's total interest-bearing bank borrowings amounted to RMB3,556.8 million as at 31 December 2014 (31 December 2013: RMB2,587.4 million), over 95% of interest-bearing bank borrowings bear interest at floating rates.

As at 31 December 2014, the Group had banking facilities amounting to RMB10,159.9 million, of which RMB5,754.5 million have not been utilised. Of the unutilised banking facilities as at that date, RMB3,984.5 million were unrestricted facilities and the remaining RMB1,770.0 million were restricted facilities, which are limited to be utilised on investments in wastewater treatment projects only.

The Group's total equity amounted to RMB2,924.7 million, compared to RMB1,352.7 million as at 31 December 2013. The increase was mainly due to the Group's Global Offering during the year. During the year 2014, the Company newly issued collectively 567,515,000 new shares at HK$2.80 per share through Global Offering and the completion of the over-allotment.

As at 31 December 2014, the gearing ratio (calculated by net debt divided by capital and net debt) was 52%, while the gearing ratio is 67% as at 31 December 2013. The decrease of gearing ratio was mainly due to the Group's Global Offering in 2014.

Charges on the Group's assets

Outstanding balance of interest-bearing bank borrowings as at 31 December 2014 was approximately RMB3,556.8 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, which the total amounts of the pledge of assets amounted to RMB3,851.8 million.

Capital expenditures

During the year, the Group's total capital expenditures were RMB1,293.9 million, compared to RMB776.3 million in 2013. The increase was mainly due to RMB944.8 million spent on construction and acquisition of wastewater treatment plants and RMB344.7 million represented the consideration for acquisition of equity interests in subsidiaries.

DEVELOPMENT STRATEGIES AND FUTURE DEVELOPMENT

The Group is the leading privately-owned company for investing in and operating wastewater treatment facilities in Mainland China and are among the first privately-owned participants in the wastewater treatment industry in Mainland China. It has over 18 years of experience in successfully implementing wastewater treatment projects for customers. The Group aims to maintain the front runner position amongst the privately-owned wastewater treatment service providers in Mainland China.

The Group has accumulated valuable technical expertise and operational experience during the rapid development of the wastewater treatment industry. Through this capability, the Group has embodied the ability to accurately select process technologies and utilise efficient management strategies required for each projects in a timely manner. The Group aims to continue to expand its existing project portfolio and to extend its geographic reach, and pursue selective business acquisition opportunities, with BOT and TOT as its preferred project model.

In the future, the Group intends to continue to focus on investing in and operating wastewater treatment facilities in Mainland China and seek to expand its operations organically to increase its recurring earnings stream. Firstly, the Group will continue to focus on regions that have the potential of requiring either new or upgrade and expansion projects, to expand our existing project portfolio through capitalised experience and expertise. Secondly, the Group will pursue opportunities of business acquisition of selective projects.

For the past two decades, China's economy had rapidly expanded with significant infrastructure investments in agriculture, manufacture, real estate, power and other heavy industries conducted, and alongside this development a rapid urbanization. Such development has led to a strong demand for wastewater treatment, and the PRC government has formally acknowledged the importance of regulating the wastewater treatment and discharge with higher standards, broader treatment scope and stricter government regulation. Under this background, on 1 January 2015, Ministry of Environmental Protection of the People's Republic of China (中華人民共和國環保部) announced and implemented the amended version of Environmental Protection Law of the People's Republic of China* (《中華人民共和國環境保護法》), according to which Mainland China's environmental supervision will be implemented on a higher level of standards, among which, unlawful discharging enterprises will be imposed a penalty without upper limit. In future, the PRC China government, including local governments who are the Group's customers, will increase investments, during the rest of 12th and 13th Five-Year Plan period respectively, into the wastewater treatment industry, which will bring us a market with more opportunities. The Group will take this wastewater industry enhancement opportunity to enlarge its project portfolio, including solidify existing projects by continuously entering into upgrade and expansion agreements, as well as expanding into new geographic market by bidding new BOT and TOT projects and seize good business acquisition opportunities respectively. The Company believes that from the year of 2015 Chinese environmental protection industry, especially Chinese wastewater treatment industry, will enter into a new era with a more regulated and more integrated stage, through which Company will pursue enlargement of market share.

In addition, the Group had a recent plan to enter into the sludge treatment services, through which expand into other business activities ancillary to wastewater treatment to capitalise on developments in the industry value chain, and such plan has been materialised in the second half of 2014.

In future, the Group intend to solidify its leading position in the industry and seize the future wastewater industry growth opportunity, facilitated with the Group's successful listing on the Stock Exchange. By continuously pursuing this goal, it will not only enhance shareholders' base but will also enhance the financial position and corporate brand of the Group, and these benefits will in turn translate into greater profitability in future.

FINAL DIVIDEND

The Board did not recommend the payment of final dividend for the year ended 31 December 2014.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from 2 June 2015 to 4 June 2015, both days inclusive, in order to determine the identity of the shareholders of the Company who are entitled to attend the forthcoming annual general meeting to be held on 4 June 2015. All transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong before 4:30 p.m. on 1 June 2015.

* *For identification purpose only*

GLOBAL OFFERING AND USE OF PROCEEDS

On 24 May 2012, the Baring Asia Private Equity Fund V, L.P. and Baring Private Equity Asia V Holding (5) Limited (collectively, the "Investors") entered into a bond purchase agreement (the "Bond Purchase Agreement") with Kangda Holdings and Mr. Zhao Sizhen. Pursuant to the Bond Purchase Agreement, the Investors purchased the exchangeable bonds issued by Kangda Holdings with a principal amount of HK$737,164,130, which are exchangeable into the shares of the Company upon its listing (the "Exchangeable Bonds"). The Exchangeable Bonds were automatically exchanged into 405,077,996 shares of the Company immediately prior to the commencement of dealings in the shares of the Company on the Stock Exchange on the listing date of 4 July 2014.

The Company's shares were listed on the Stock Exchange on 4 July 2014 and in connection with the Company's Global Offering, 500,000,000 ordinary shares of the Company of HK$0.01 each were issued at a price of HK$2.80 per share for a total cash consideration, before expenses, of approximately HK$1,400,000,000. On 25 July 2014, the over-allotment option was partially exercised and 67,515,000 ordinary shares of the Company with a par value of HK$0.01 each were issued at a price of HK$2.80 per share for a total cash consideration, before expenses, of approximately HK$189,042,000. After the completion of the Capitalisation Issue, the Global Offering and the completion of the over-allotment, the total number of ordinary shares of the Company is 2,067,515,000.

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, and the respective use of the net proceeds until 31 December 2014 is as follows:

	HK$ million		
	Available	**Utilised**	**Unutilised**
Expanding our business and project portfolio	1,026.6	272.5	754.1
– through BOT projects and TOT projects, including expansion and upgrade projects	454.0	120.5	333.5
– through business acquisition	572.6	152.0	420.6
Repayment of existing short-term bank borrowings	259.4	68.8	190.6
Working capital and general corporate purpose	129.7	34.4	95.3
Purchase of electronic systems and software	64.9	—	64.9
	1,480.6	375.7	1,104.9

SUFFICIENCY OF PUBLIC FLOAT

Based on the information available to the Company and within the knowledge of the Directors, the Company maintained adequate public float as required under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") from the date on which the Company's shares were listed on the Main Board of the Stock Exchange on 4 July 2014 (the "Listing Date") and up to the date of this announcement.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has complied with all applicable code provisions under the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules and there has been no deviation from the code provisions as set forth under the CG Code for the period since the Listing Date up to 31 December 2014. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors, namely Mr. Tsui Yiu Wa Alec, Mr. Yuan Shaoli and Mr. Peng Yongzhen and Mr. Tsui Yiu Wa Alec serves as the Chairman of the Audit Committee.

The Audit Committee is primarily responsible for reviewing and providing supervision over the financial reporting procedure and internal controls of the Company. The final results for the year ended 31 December 2014 have been reviewed and approved by the Audit Committee of the Company. The Audit Committee considers that appropriate accounting policies have been adopted in the preparation of relevant results and sufficient disclosures have been made.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having make specific enquiries of all the Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code since the Listing Date up to the year ended 31 December 2014.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period since the Listing Date up to 31 December 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF THE CONSOLIDATED ANNUAL RESULTS AND 2014 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange and the Company, and the 2014 Annual Report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
KANGDA INTERNATIONAL ENVIRONMENTAL COMPANY LIMITED
ZHAO Juanxian (alias, ZHAO Junxian)
Chairman

Hong Kong, 26 March 2015

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. YUAN Shaoli and Mr. PENG Yongzhen as independent non-executive Directors.