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

2015
Interim Report

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhao Juanxian (alias, Zhao Junxian) (Chairman)
Mr. Zhang Weizhong (Chief executive officer)
Ms. Liu Zhiwei (Vice president)
Mr. Gu Weiping (Vice president)
Mr. Wang Litong (Vice president)

Non-executive Director

Mr. Zhuang Ping

Independent Non-executive Directors

Mr. Tsui Yiu Wa Alec
Mr. Yuan Shaoli
Mr. Peng Yongzhen (appointed on 26 February 2015)
Mr. Song Qianwu (resigned on 26 February 2015)

AUDIT COMMITTEE

Mr. Tsui Yiu Wa Alec (Chairman)
Mr. Yuan Shaoli
Mr. Peng Yongzhen (appointed on 26 February 2015)
Mr. Song Qianwu (resigned on 26 February 2015)

REMUNERATION COMMITTEE

Mr. Yuan Shaoli (Chairman)
Mr. Gu Weiping
Mr. Peng Yongzhen (appointed on 26 February 2015)
Mr. Song Qianwu (resigned on 26 February 2015)

NOMINATION COMMITTEE

Mr. Zhao Juanxian (alias, Zhao Junxian) (Chairman)
Mr. Zhang Weizhong
Mr. Tsui Yiu Wa Alec
Mr. Yuan Shaoli
Mr. Peng Yongzhen (appointed on 26 February 2015)
Mr. Song Qianwu (resigned on 26 February 2015)

COMPANY SECRETARY

Mr. Cheng Wing Hong (appointed on 22 July 2015)
Ms. Chan Yin Wah (resigned on 22 July 2015)

AUTHORISED REPRESENTATIVES

Mr. Zhang Weizhong
Ms. Liu Zhiwei

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTER AND PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA ("CHINA" OR THE "PRC")

No. 72
Avenue of Stars
High-Tech Park
North New Zone
Chongqing
the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3205, 32/F
Alexandra House
18 Chater Road, Central
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Royal Bank of Canada Trust
Company (Cayman) Limited
4th Floor
Royal Bank House
24 Shedden Road
George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

LEGAL ADVISERS

As to Hong Kong law:
Orrick, Herrington & Sutcliffe
43/F Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC law:
Commerce & Finance Law Offices
6/F NCI Tower
A12 Jianguomenwai Avenue
Chaoyang District
Beijing
The PRC

COMPLIANCE ADVISER

TC Capital Asia Limited
Suite 1903-4
19/F Tower 6
The Gateway, Harbour City
9 Canton Road
Tsim Sha Tsui
Kowloon
Hong Kong

PRINCIPAL BANKS

Industrial and Commercial Bank of China
Chongqing Rural Commercial Bank
China Merchants Bank
Shanghai Pudong Development Bank
China CITIC Bank

AUDITOR

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

STOCK CODE

6136

COMPANY WEBSITE

http://www.kangdaep.com

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 (Tonnes/Day)	Actual treatment capacity during the six-month period ended 30 June 2015 (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.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six-month period ended 30 June 2015 (six-month period ended 30 June 2014: Nil).

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 "Corporate Governance Code") as set out in Appendix 14 of the Listing Rules. 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, optimised management approaches and strategies, improved supporting mechanism and enhanced control effectiveness and operational efficiency of the Group.

The Group enhanced overall control over target responsibilities and budget control, which was promoted and implemented within the entities under the Group as well as management level, and implemented the main body responsibility system through organic combination of the trinity to fully stimulate team members' initiative.

The Group also took initiative to enhance efforts in fund management, financial risk control, project investment decisions, legal risk control, information disclosure and maintenance of investor relationship to strive for more effective and transparent management in accordance with the Corporate Governance Code.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2015, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

Name of Director	Nature of Interest	Number of Shares	Approximate Percentage of Issued Share Capital of the Company
Mr. Zhao Juanxian (alias, Zhao Junxian)(1)	Person acting in concert/long position	1,095,822,004	53.00%
Mr. Zhang Weizhong(2)	Beneficial owner/long position	6,500,000	0.31%
Ms. Liu Zhiwei(2)	Beneficial owner/long position	5,500,000	0.27%
Mr. Gu Weiping(2)	Beneficial owner/long position	5,000,000	0.24%
Mr. Wang Litong(2)	Beneficial owner/long position	5,000,000	0.24%

Notes:

(1) By virtue of Mr. Zhao Juanxian acting in concert with Mr. Zhao Sizhen, being the son of Mr. Zhao Juanxian, under the SFO, Mr. Zhao Juanxian is deemed to be interested in Mr. Zhao Sizhen's interests in the Company.

(2) The Directors' interest in the underlying Shares of the Company are through Options granted by the Company pursuant to the Share Option Scheme adopted on 14 June 2014, details of which are set out under the section headed 'Other information – Share Option Scheme'.

Save as disclosed above, as at 30 June 2015, none of the Directors and the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES

As at 30 June 2015, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/Nature of Interest	Number of Shares	Percentage of Issued Share Capital of the Company
Mr. Zhao Sizhen (1)	Interest in controlled corporation/long position	1,094,922,004	52.96%
	Beneficial owner/long position	900,000	0.04%
Kangda Holdings Company Limited (2)	Beneficial owner/long position	1,094,922,004	52.96%
Baring Private Equity Asia V Holding (5) Limited (3)	Beneficial owner/long position	364,129,996	17.61%
The Baring Asia Private Equity Fund V, L.P. (3)	Interest in controlled corporation/long position	364,129,996	17.61%
Baring Private Equity Asia GP V, L.P. (3)	Interest in controlled corporation/long position	364,129,996	17.61%
Baring Private Equity Asia GP V Limited (3)	Interest in controlled corporation/long position	364,129,996	17.61%
Mr. Jean Eric Salata (3)	Interest in controlled corporation/long position	364,129,996	17.61%

Notes:

(1) By virtue of Mr. Zhao Juanxian acting in concert with Mr. Zhao Sizhen, under the SFO, Mr. Zhao Juanxian is deemed to be interested in Mr. Zhao Sizhen's interests in the Company.

(2) Kangda Holdings Company Limited is wholly-owned and controlled by Mr. Zhao Sizhen and Mr. Zhao Sizhen is therefore deemed to be interested in the Shares held by Kangda Holdings Company Limited.

(3) Baring Private Equity Asia V Holding (5) Limited is held as to approximately 99.35% by The Baring Asia Private Equity Fund V, L.P. Baring Private Equity Asia GP V, L.P., is the general partner of The Baring Asia Private Equity Fund V, L.P. Mr. Jean Eric Salata is the sole shareholder of Baring Private Equity Asia GP V Limited, the general partner of Baring Private Equity Asia GP V, L.P. Each of The Baring Asia Private Equity Fund V, L.P., Baring Private Equity Asia GP V, L.P., Baring Private Equity Asia GP V Limited and Mr. Jean Eric Salata is deemed to be interested in the relevant shares held by Baring Private Equity Asia V Holding (5) Limited. Mr. Jean Eric Salata disclaims beneficial ownership of such shares, other than to the extent of his economic interest in such entities.

Save as disclosed above, and as at 30 June 2015, the Directors were not aware of any persons (who were not a Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

OTHER INFORMATION

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the six-month period ended 30 June 2015, none of the Directors is aware that the Directors or any substantial shareholders (within the meaning of the Listing Rules) of the Company and their respective associates have any business or interest in any business that competes or may compete with the business of the Group or have or may have any conflicts of interest with the Group.

PUBLIC FLOAT

Based on information publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued share capital, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, are held by the public at all times as at the date of this 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 report and the sale and purchase of the remaining 40,000,000 Sale Shares will be completed in accordance with the Sale and Purchase Agreement.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") on 14 June 2014 (the "Adoption Date"). The following is a summary of principal terms of the Share Option Scheme:

On 19 December 2014, the Company has granted a total of 84,500,000 Options to subscribe for 84,500,000 Shares in conformity with the Share Option Scheme to certain Directors and Employees. During the six months ended 30 June 2015, 300,000 Options were lapsed and no Option was granted, exercised or cancelled under the Share Option Scheme. The Options granted shall vest and become exercisable within one year from the relevant date of vesting in three tranches in the proportion of 30%, 30% and 40% at the end of the 12th, 24th and 36th month after the date of grant, unless otherwise determined by the Company at its discretion in exceptional circumstances.

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

Name of grantee	Date of grant of options	Number of options as at 1 January 2015	Number of options granted during the period	Exercise price per Share HK$	Exercise period	Closing price as at the date of grant of options HK$	Number of options exercised/ cancelled/ lapsed during the period	Number of options as at 30 June 2015
Director								
Zhang Weizhong (also the Chief Executive Officer)	19/12/2014	6,500,000	–	3.386	19/12/2015 to 18/12/2018	3.340	–	6,500,000
Liu Zhiwei	19/12/2014	5,500,000	–	3.386	19/12/2015 to 18/12/2018	3.340	–	5,500,000
Gu Weiping	19/12/2014	5,000,000	–	3.386	19/12/2015 to 18/12/2018	3.340	–	5,000,000
Wang Litong	19/12/2014	5,000,000	–	3.386	19/12/2015 to 18/12/2018	3.340	–	5,000,000
Other Employees (in aggregate)	19/12/2014	62,500,000	–	3.386	19/12/2015 to 18/12/2018	3.340	(300,000)	62,200,000
Total		84,500,000	–				(300,000)	84,200,000

AUDIT COMMITTEE AND REVIEW OF THE INTERIM RESULTS

The Company has established the audit committee pursuant to a resolution of the Directors passed on 30 October 2013 (the "Audit Committee") in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code. The primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems, oversee the audit process and perform other duties and responsibilities as assigned by the Board. At present, the Audit Committee consists of three independent non-executive Directors, being Mr. Tsui Yiu Wa Alec, Mr. 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 six months ended 30 June 2015. 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.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

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			
		RMB	RMB
– Basic and diluted	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
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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2015

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
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

Zhang Weizhong
Director

Liu Zhiwei
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2015

	Attributable to owners of the parent								
	Issued capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Special reserve RMB'000	Share option reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 31 December 2014	16,444	1,791,487*	368,355*	—*	1,191*	665,436*	2,842,913	81,802	2,924,715
Profit for the period (Unaudited)	—	—	—	—	—	137,474	137,474	3,973	141,447
Other comprehensive income (Unaudited)	—	—	—	—	—	—	—	—	—
Total comprehensive income (Unaudited)	—	—	—	—	—	137,474	137,474	3,973	141,447
Acquisition of a subsidiary (a)	—	—	—	—	—	—	—	42,056	42,056
Equity-settled share option arrangements (b)	—	—	—	—	15,364	—	15,364	—	15,364
Transfer to special reserve (c) (Unaudited)	—	—	—	4,776	—	(4,776)	—	—	—
Utilisation of special reserve (c) (Unaudited)	—	—	—	(4,776)	—	4,776	—	—	—
As at 30 June 2015 (Unaudited)	16,444	1,791,487*	368,355*	—*	16,555*	802,910*	2,995,751	127,831	3,123,582
As at 31 December 2013	—	601,378*	368,355*	—*	—	370,648*	1,340,381	12,349	1,352,730
Profit for the period (Unaudited)	—	—	—	—	—	123,762	123,762	929	124,691
Other comprehensive income (Unaudited)	—	—	—	—	—	—	—	—	—
Total comprehensive income (Unaudited)	—	—	—	—	—	123,762	123,762	929	124,691
Transfer to special reserve (c) (Unaudited)	—	—	—	8,377	—	(8,377)	—	—	—
Utilisation of special reserve(c) (Unaudited)	—	—	—	(8,377)	—	8,377	—	—	—
As at 30 June 2014 (Unaudited)	—	601,378*	368,355*	—*	—	494,410*	1,464,143	13,278	1,477,421

* These reserve accounts comprise the consolidated reserve of RMB2,979,307,000 (31 December 2014: RMB2,826,469,000) in the unaudited interim condensed consolidated statement of financial position as at 30 June 2015.

(a) Non-controlling interests arose from the acquisition of 80% equity interests in Pingdingshan City Bay Water Treatment Co., Ltd. (平頂山海灣水務有限公司) ("Pingdingshan City Bay") (note 15).

(b) On 19 December 2014, the Company granted a total of 84,500,000 share options to subscribe for a total of 84,500,000 ordinary shares in the share capital of the Company under the share option scheme adopted by the Company on 14 June 2014. The Group recognised a share option expense of RMB15,364,000 during the six-month period ended 30 June 2015.

(c) From 14 February 2012, the Group provided for and utilised the safety production expense fund according to Circular on Printing and Issuing the Management Measures on the Enterprises Production Safety Expense of Enterprises Appropriation and Utilisation (2012 No.16) issued by the Ministry of Finance and the State Administration of Work Safety.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2015

	Notes	For the six-month period ended 30 June 2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**181,426**	160,376
Adjustments for:			
Finance costs		**119,354**	96,376
Foreign exchange differences	5	**(4,951)**	(70)
Share of profit and loss of an associate		**(3,171)**	(3,705)
Equity-settled share option arrangements		**15,364**	—
Interest income	5	**(4,916)**	(2,153)
Depreciation of property, plant and equipment	6	**3,537**	3,087
Depreciation of investment properties	6	**129**	128
Amortisation of intangible assets	6	**88**	74
Impairment of trade receivables	5	**—**	(5,114)
		306,860	248,999
Increase in inventories		**(379)**	(894)
Increase in financial receivables		**(313,756)**	(528,971)
Increase in construction contracts		**(17,200)**	(67,789)
(Increase)/decrease in trade and bills receivables		**(32,940)**	2,235
Increase in prepayments, deposits and other receivables		**(158,573)**	(51,288)
Increase/(decrease) in trade and bills payables		**(98,780)**	93,392
Decrease in other payables and accruals		**(29,961)**	(5,502)
Cash used in operations		**(344,729)**	(309,818)
Interest received	5	**4,916**	2,153
Income taxes paid		**(8,388)**	(9,734)
Net cash flows used in operating activities		**(348,201)**	(317,399)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2015

	Notes	For the six-month period ended 30 June 2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(1,567)**	(3,290)
Additions to intangible assets		**—**	(355)
Acquisition of subsidiaries		**(69,416)**	—
Dividends received from an associate		**1,971**	—
Decrease in pledged deposits		**331,359**	82,861
Net cash flows used in investing activities		**262,347**	79,216
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**1,603,874**	805,685
Repayment of bank loans		**(1,300,047)**	(423,537)
Interest paid		**(119,581)**	(96,376)
Capital contribution from a non-controlling shareholder		**—**	(4,352)
Net cash flows from financing activities		**184,246**	281,420
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**98,392**	43,237
Cash and cash equivalents at beginning of the period		**747,283**	275,562
Effect of foreign exchange rate changes, net		**(46)**	70
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	12	**845,629**	318,869

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

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.

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:

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)*

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

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.

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 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.

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.

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)*

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.

2.3 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]

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

2.3 Issued but not yet effective International Financial Reporting Standards *(continued)*

[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.

3. OPERATING SEGMENT INFORMATION *(continued)*

Segment assets exclude investment properties, intangible assets, deferred tax assets, unallocated prepayments, deposits and other receivables, pledged deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

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

For the six-month period ended 30 June 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)*

	Service concession arrangements RMB'000	BT arrangements RMB'000	Others RMB'000	Total RMB'000
At 30 June 2015				
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)*

	Service concession arrangements RMB'000	BT arrangements RMB'000	Others RMB'000	Total RMB'000
At 31 December 2014				
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
Reversal of impairment of trade receivables	**—**	5,114
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
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):

	Notes	For the six-month period ended 30 June 2015 RMB'000	2014 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税法實施條例), 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、國家税務總局、海關總署關於西部大開發税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 2014:437,920,000) 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. BUSINESS COMBINATION

On 30 April 2015, Chongqing Kangda Environmental Protection Industry (Group) Co., Ltd. (重慶康達環保產業(集團)有限公司) ("Chongqing Kangda"), an indirectly wholly-owned subsidiary of the Company, acquired a 80% interest in Pingdingshan City Bay Water Treatment Co., Ltd. (平頂山海灣水務有限公司), at a total consideration of RMB161,760,000.

The above acquisition was made as part of the Group's strategy to expend its market geographic coverage and increase its market share in wastewater treatment industry.

The fair values of the identifiable assets and liabilities of the subsidiary acquired during the period as at their respective dates of acquisition were as follows:

	Pingdingshan City Bay RMB'000
Property, plant and equipment	3,840
Inventories	99
Financial receivables	313,552
Trade receivables	5,193
Prepayments, deposits and other receivables	74,842
Cash and cash equivalents	2,650
Trade payables	(44,347)
Other payables and accruals	(36,765)
Tax payable	(913)
Interest-bearing bank borrowings	(80,000)
Deferred tax liabilities	(35,951)
Total identifiable net assets at fair value	202,200
Non-controlling interests	(40,440)
Purchase consideration at fair value	161,760

None of the financial receivables and trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

The transaction costs related to these acquisitions have been expensed and are included in administrative expenses in profit or loss.

15. BUSINESS COMBINATION *(continued)*

	Pingdingshan City Bay RMB'000
An analysis of the cash flows in respect of the acquisitions is as follows:	
Cash consideration	(53,780)
Cash and bank balances acquired	2,650
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(51,130)
Transaction costs of the acquisition included in cash flows from operating activities	—

Since the acquisitions, Pingdingshan City Bay contributed appropriately RMB8,495,000 to the Group's revenue and RMB3,791,000 to the Group's profit for the six-month period ended 30 June 2015.

Had the acquisition taken place at the beginning of the period, the revenue of the Group and the profit of the Group for the period would have been RMB794,247,000 and RMB108,211,000, respectively.

16. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements, with terms ranging from five to ten years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 30 June 2015 and 31 December 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Within one year	**637**	400
In the second to fifth years, inclusive	**2,786**	1,153
After five years	**193**	288
	3,616	1,841

16. OPERATING LEASE ARRANGEMENTS *(continued)*

(b) As lessee

The Group leases certain office properties under operating lease arrangements with the leases negotiated for terms ranging from 1 to 3 years (2014: 1 to 2 years).

At 30 June 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Within one year	**5,023**	4,632
In the second to fifth years, inclusive	**4,565**	6,033
	9,588	10,665

17. CONTINGENT LIABILITIES

As at 30 June 2015 the Group did not have any significant contingent liabilities.

18. COMMITMENTS

In addition to the operating lease commitments detailed in note 16(b) above, the Group had the following commitments:

(a) Capital commitments

The Group had the following capital commitments at the end of each reporting period:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Contracted, but not provided for:		
Acquisitions of subsidiaries	**—**	199,800

18. COMMITMENTS *(continued)*

(b) The Group had the following commitments with respect of service concession arrangements at the end of each reporting period:

Group	**30 June 2015 RMB'000**	31 December 2014 RMB'000
Contracted, but not provided for	**787,532**	964,819
Authorised, but not contracted for	**1,079,813**	1,510,685

19. RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with related parties for the six-month periods ended 30 June 2015 and 2014:

	30 June 2015 RMB'000	30 June 2014 RMB'000
Certain expenses of the Group paid on behalf by a non-controlling shareholder of Jilin Kangda	**236**	1,232
Certain expenses of the Group paid on behalf by a non-controlling shareholder of Hebi Kangda	**—**	600
Certain expenses provided by the group to a non-controlling shareholder of Kangyuan Environment	**1,615**	—
Certain expenses provided by the group to a non-controlling shareholder of Four Subsidiaries from Shandong Guohuan	**1,562**	—

The Group is contractually authorised to use a piece of land which is legally owned by the non-controlling shareholder of Jilin Kangda without charge, and such use also constitutes related party transaction during the period. Meanwhile, the Group is also authorised to use certain infrastructures without charge which are legally owned and provided by the non-controlling shareholder of Xinzhongzhou Water.

The above related party transactions were conducted in accordance with the terms mutually agreed between the parties.

Certain interest-bearing bank borrowings of Nil (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 15).

19. RELATED PARTY TRANSACTIONS *(continued)*

(b) The Group had the following material balances with related parties as at the end of each reporting period:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Amounts due to non-controlling shareholders of		
Jilin Kangda	11,236	11,000
Hebi Kangda	3,300	3,300
Four Subsidiaries from Shandong Guohuan	27,767	46,990
Pingdingshan City Bay	77,980	—
Xinzhongzhou Water	4,000	25,000
Amounts due from non-controlling shareholders of		
Kangyuan Environment	1,615	—
Four Subsidiaries from Shandong Guohuan	1,562	—
Pingdingshan City Bay	103,396	—

(c) Compensation of key management personnel of the Group

	For the six-month period ended 30 June	
	2015 RMB'000	2014 RMB'000
Short term employee benefits	709	615
Equity-settled share option expenses	1,097	—
Post-employment benefits	21	45
Total compensation paid to key management personnel	1,827	660

20. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each reporting period are as follows:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Financial assets		
Loans and receivables:		
Financial receivables	5,747,478	5,120,170
Trade and bills receivables	541,399	503,266
Financial assets included in prepayments, deposits and other receivables	50,178	114,460
Pledged deposits	180,581	511,940
Cash and cash equivalents	845,629	747,283
	7,365,265	6,997,119

	30 June 2015 RMB'000	31 December 2014 RMB'000
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and bills payables	673,933	728,367
Financial liabilities included in other payables and accruals	156,779	127,154
Interest-bearing bank borrowings	3,940,630	3,556,804
	4,771,342	4,412,325

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values are as follows:

Carrying amount	30 June 2015 RMB'000	31 December 2014 RMB'000
Financial assets		
Financial receivables, non-current portion	4,579,682	4,047,483
	4,579,682	4,047,483
Financial liabilities		
Trade and bills payables, non-current portion	3,062	2,974
Interest-bearing bank borrowings, non-current portion	2,305,538	1,811,023
	2,308,600	1,813,997

Fair value	30 June 2015 RMB'000	31 December 2014 RMB'000
Financial assets		
Loans and receivables:		
Financial receivables, non-current portion	5,258,498	4,129,354
	5,258,498	4,129,354
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and bills payables, non-current portion	2,905	2,802
Interest-bearing bank borrowings, non-current portion	2,377,047	1,799,636
	2,379,952	1,802,438

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, the current portion of financial receivables, the current portion of trade and bills payables, the current portion of financial assets included in prepayments, deposits and other receivables, the current portion of financial liabilities included in other payables and accruals, the current portion of interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of financial receivables, prepayments, deposits and other receivables, trade and bills payables and interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risks for trade and bills payables, and interest-bearing bank borrowings as at the end of each reporting period were assessed to be insignificant.

All financial assets and liabilities for which fair value was disclosed in these unaudited interim condensed financial statements are categorised within the fair value hierarchy of level 3 as at the end of the six-month period ended 30 June 2015, except for interest-bearing bank borrowings which are categorised within the fair value hierarchy of level 2.

22. 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 report and the sale and purchase of the remaining 40,000,000 Sale Shares will be completed in accordance with the Sale and Purchase Agreement.

23. 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.