



Press Release

[For immediate release]

**Kangda Environmental 2022 Annual Results  
Focus on Municipal Sewage Treatment,  
Looking forward to Profitability Recovery**

**Annual Results Highlights:**

(人民幣百萬元)	For the year ended 31 December		Change
	2022	2021	
Revenue	<b>2,896.6</b>	2,919.0	↓ 0.8%
Gross Profit	<b>1,268.6</b>	1,335.3	↓ 5.0%
Gross Profit Margin	<b>43.8%</b>	45.8%	↓ 2 % point
Net Profit	<b>240.0</b>	418.2	↓ 42.6%
Net Profit Margin	<b>8.3%</b>	14.3%	↓ 6 % point
Earnings per share (RMB cents)	<b>11.01</b>	19.29	↓ 42.9%

( 31 March 2023, Hong Kong ) **Kangda International Environmental Company Limited** (“Kangda Environmental” or the “Company”, stock code: 6136.HK), a leading environmental services provider in the PRC focusing on water infrastructure investment, construction and operation, announced the audited annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2022 (the “Period”).

During the Period, the Group’s construction business progress was affected by comprehensive pandemic prevention and control measures, and resulted in a year-on-year decrease in revenue from construction services by RMB115.3 million (approximately 11%), which leads to the decrease in the Group’s total revenue by 0.8% year-on-year to RMB2,896.6 million. While coping with the pandemic, the Group has made every effort to ensure the normal operation of the sewage treatment plants and implemented certain upgrading works. The actual sewage treatment volume for the year reached 1,226.6 million tonnes, representing a slight decrease of approximately 2.8% year-on-year. As a result of the increase in production costs, the Group’s overall gross profit margin decreased by approximately 2 percentage points from 45.8% last year to 43.8%, and gross profit decreased by approximately 5% year-on-year to RMB1,268.6 million. Besides, the year-on-year decrease in other income and gains such as government subsidies and investment income by over RMB52.7 million, together with the exchange loss of approximately RMB47.9 million as a result of the depreciation of RMB during the year, net profit for the year was pressured and decreased to RMB240.0 million, representing a decrease of approximately 42.6% year-on-year. With the relaxation of pandemic prevention measures in Mainland China from early 2023, the business environment has promptly returned to normal,



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and the Group has taken the initiative to reduce its foreign currency loan balance in response to the changes in the international financing environment. The above-mentioned short-term factors leading to the pressure on earnings are not expected to have any long-term impact on the Group's business operations and profitability.

During the year, the management was dedicated to manage the Group's operating cash flow and optimize its balance sheet, with operating income accounting for nearly 70% of total revenue, a record high percentage. Capacity utilization rate reached 82%, which is at a high level within the industry. Capital expenditure for the year was RMB512.7million, a decrease of approximately 21% year-on-year. The above factors are favorable to improving operating cash flow, with a net inflow of RMB368.4 million for the year, an increase of approximately 15% year-on-year and the best record in history. The balance sheet ratios have also improved, with the Group's gearing ratio and current ratio standing at 69.7% and 1.11 respectively as at 31 December 2022 (31 December 2021: 70.4% and 0.97).

In terms of financing activities, the Group has obtained a green loan of US\$16.00 million in early 2022, certified by the Hong Kong Quality Assurance Agency, which was the first green financing completed by the Group in Hong Kong, thus further embodied the Group's green business concept of water-based environmental pollution control in its corporate financing activities. Since mid-2022, interest rates on foreign borrowings began to rise rapidly. The Group adjusted the ratio of domestic/overseas and long/short term borrowings in a timely manner to maintain the financing cost at a reasonable level. The average borrowing interest rate for the year was 5.96%, down 0.08 percentage points compared to last year, and the financing cost was approximately RMB566.2 million, which remained basically the same as last year.

The Group continue to focus on municipal sewage as the core advantage of the main business. Revenue from this segment accounted for 94.0% of total revenue, increased by 2.6 percentage points comparing with last year. As of 31 December 2022, the Group had a total of 112 service concession arrangements, with a total treatment capacity of 4.36 million tons per day. In the future, we will continue to improve the Group's sewage treatment capacity and economies of scale.

During the year, the State continued to improve and deepen the policies related to water ecology environment during the 14th Five-Year Plan period. The National Development and Reform Commission issued the "Implementation Plan for the New Type of Urbanization of the 14th Five-Year Plan", which proposes to strengthen the water environment in accordance with local conditions and promote the supporting network of domestic sewage treatment plants and resource utilization of wastewater and sewage sludge. Local government departments have also launched the "Ecology Protection Plan of the 14th Five-Year Plan", setting targets for the management of the ecological environment. "Opinions on Further Improving the Policy Environment and Supporting the Development of Private Investment", "Supporting the



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Participation from Private Investment in 102 Major Projects”, “Encouraging the Equal Participation of State-owned Enterprises, Private Enterprises, Foreign Enterprises and Other Market Entities as Social Capitalists in PPP Projects”, “Implementation Plan on Promoting the Construction and Management of Domestic Wastewater and Waste Treatment Facilities in Established Towns”, and other policy documents were also released to encourage private investment in environmental protection projects. The Group believes that, in the foreseeable future, the State will continue to attach great importance to the wastewater treatment industry and continue to introduce favorable policies, and the industry as a whole will become more regulated, more professional and stronger.

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### **About Kangda International Environmental Company Limited**

Kangda Environmental is a leading environmental service provider in the PRC focusing on water infrastructure investment, construction and operation. Its core businesses include sewage treatment, water harnessing and improvement, rural water improvement, water reuse, sludge disposal, research and development of environmental and water technology, and related construction work. Its investment projects spread across 16 provinces and municipalities in the PRC with daily handling capacity of more than 4.3 million tons. Under the leadership of its seasoned management team, the Company integrates the industry resources and captures market opportunities to drive its continuing development.