Kangda International Environmental Company Limited
康達國際環保有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 6136

Interim Report 2017

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)
Mr. Wang Tianci (appointed on 26 May 2017)

Non-executive Director

Mr. Zhuang Ping (resigned on 31 March 2017)

Independent Non-executive Directors

Mr. Tsui Yiu Wa Alec
Mr. Peng Yongzhen
Mr. Chang Qing

AUDIT COMMITTEE

Mr. Tsui Yiu Wa Alec (Chairman)
Mr. Peng Yongzhen
Mr. Chang Qing

REMUNERATION COMMITTEE

Mr. Chang Qing (Chairman)
Mr. Gu Weiping
Mr. Peng Yongzhen

NOMINATION COMMITTEE

Mr. Zhao Juanxian (alias, Zhao Junxian) (Chairman)
Mr. Zhang Weizhong
Mr. Tsui Yiu Wa Alec
Mr. Peng Yongzhen
Mr. Chang Qing

COMPANY SECRETARY

Mr. Cheng Wing Hong

AUTHORISED REPRESENTATIVES

Mr. Zhang Weizhong
Ms. Liu Zhiwei

REGISTERED OFFICE

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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")

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North New Zone
Chongqing
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Alexandra House
18 Chater Road, Central
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

SMP Partners (Cayman) Limited
Royal Bank House
3rd Floor
24 Shedden Road
P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

CORPORATE INFORMATION

LEGAL ADVISERS

As to Hong Kong law:
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in Association with Morgan, Lewis & Bockius
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One International Finance Centre
1 Harbour View Street
Central
Hong Kong

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

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

The year of 2017 is an important year for the country to implement the "13th Five-Year" plan, in which the national environmental industry has changed its focus from environmental pollution control to environment quality enhancement. The "Water Ten Plan" (水十條) expressly stated that it will basically eliminate black and odorous water bodies in municipalities, provincial capitals and urban built-up areas in specifically designated cities by the end of 2017. In addition, there is a rapid development of the public-private-partnership ("PPP") mode, which has increased the project implementation rate year by year, whereas the treatment of black and odorous river and PPP project construction in sponge cities have motived the trillion level investments in the environment protection projects on water, which has triggered the tremendous development of the environmental industry. Meanwhile, with potential opportunity in the wastewater treatment markets in rural areas, the development strategy of urban-rural integration continues. The Belt and Road Forum for international cooperation was held on 16 May 2017 in Beijing. The countries along the Belt and Road positively participated in the cooperation with China. Accordingly, there will be very good opportunities for the Group to broaden overseas environmental protection market prospect.

DEVELOPMENT STRATEGIES AND FUTURE DEVELOPMENT

In the year of 2017, water environment protection industry enjoys a series of advantages: comprehensive reform in environment assessment system, full implementation of river supervisor system, consecutive approval and official implementation of a series of environment protection regulations as well as further promotion of the PPP project policy. At the same time, the control on environment protection becomes incessantly stringent with gradual enhancement on industry standard, increasing owners' requirements over the strength of environment protection enterprises comprehensively, while influx of different kinds of capital from various channels for participation and competition on the environment protection industry intensifying the competition over the projects has also posed severe challenges to market players.

With the above mentioned opportunities and despite of the intensified competition in the industry, the Group captured various acquisition and merger projects in the first half of 2017, including the acquisition of approximately 1.09% of equity interests in Protection (Asia) Water Treatment Holding Limited, 100% of equity interests in Hatlen Investment (Aus.) Pty Ltd, 100% of equity interests in Shandong Fengmin Water Co., Ltd.* (山東豐民水務有限公司) and 70% of equity interests in Wenzhou City Chuangyuan Water Co., Ltd* (溫州市創源水務有限公司).

In addition, the Group acquired many PPP projects in the first half of 2017, including the new construction PPP project of Jinhai West Road and Haiyun Road utility tunnel in Nanhai New District, Weihai City, Shandong Province and the entire county domestic wastewater treatment facilities bundle PPP project in Jiaoling County, Meizhou City, Guangdong Province.

Technical strategies remain as the core of the Group's strategies. The Group commits to pursuing technological advancement through improving our innovation ability on science and technologies, and to achieving win-win development through a variety of collaboration such as project cooperation and strategic alliance. Meanwhile, by means of further deepening and strengthening the collaboration with high schools and scientific research institutions, the Group can motivate the combination of production and research, creating unprecedented advantages.

* *For identification purposes only*

MANAGEMENT DISCUSSION AND ANALYSIS

In view of business development strategy, the Group has fully captured the golden opportunity for development brought about by the environment protection policies implemented by the Chinese government. Through equity acquisition and merger, the Group will further expand its treatment capacity in the urban water treatment business. In terms of water environment comprehensive remediation and rural water improvement, by leveraging the PPP trend and other means such as bidding or joint bidding, the Group endeavours to maximize our acquisition of PPP projects in relation to high quality water environment comprehensive remediation and rural water treatment, so that market share can be enlarged and orders of relatively large-scaled project can be reserved with an aim to consolidate the foundation for the Group's development in the coming five to ten years.

In view of internal management strategy, the Group will continue to motivate the innovation of the Group's internal management. By further adjusting and optimizing all functional departments and business divisions, management duties of each functional departments can be reorganized, so as to give full play to the professional functions of the business divisions as well as to greatly boost the motivation of our staff, which would enhance our overall strengths and comprehensively strengthen our brand. Meanwhile, we actively implement talent training programmes to increase our attraction to talents as well as enhance our investment in the research and development of innovated technologies, in order to continuously increase and strengthen our competitive strengths.

In the first half of 2017, the reserve for the Company's new projects continues to increase, and also the PPP project, which was acquired in the previous period, had its implementation expedited. The construction income increased accordingly. The growth rate of construction income from the next stage will therefore increase. The strategies of having external strategic alliance start to take effect and make a turnaround into benefits. For example, the execution of Engineering Procurement Construction (the "EPC") agreements after making the bids of large-scaled PPP projects, the equity investment contribution to our results. In the coming two years, the Group plans to capture more business opportunities in the environment protection industry. Taking advantage of the opportunities brought about by new environment protection policies and the PPP mode, the Group can combine internal and external resources to increase more rapidly the Group's financial results and our position in the industry, and thus continuously bringing more values to the shareholders of the Company.

BUSINESS REVIEW

In the first half of 2017, the Group continued to execute the development strategy which was performed last year. In order to match the Group's strategy and marketing development, the Group continued to advance division reform, which means the divisions in charge of specific businesses. The principal business of the Group includes Urban Water Treatment, Water Environment Comprehensive Remediation, Rural Water Improvement, etc.

The scope of Urban Water Treatment includes constructions and operations in urban water treatment, reclaimed water treatment and usage, sludge disposal, water distribution, O&M (operation and maintenance of a water or wastewater treatment facility), etc. The Group has the overall industry chain in Urban Water Treatment, which is executed under the contracts of Build-Operate-Transfer (the "BOT"), Transfer-Operate-Transfer (the "TOT"), PPP, Build-Own-Operate (the "BOO"), EPC and O&M.

The scope of Water Environment Comprehensive Remediation includes river harnessing and improvement, foul water body remediation, sponge city construction, pipeline network projects, urban comprehensive pipe tunnel, etc. The Group engages in and will pursue expanding market share in water environment comprehensive remediation, which is executed under the contracts of PPP and EPC.

The scope of Rural Water Improvement includes the construction and operation related to "the Construction of Beautiful Village" such as wastewater treatment, pipeline for collecting wastewater, rural living environment improvement, etc. The Group carried out this business in 2016, and will continue to expand market share in the related areas.

In the future, the Group will continuously pursue more market opportunities in the above mentioned three divisions by investing in new projects as well as merger and acquisition. The Company is very confident about the Group's prospects and future profitability.

1.1 Urban Water Treatment

As at 30 June 2017, the Group had entered into a total of 101 service concession arrangements projects, including 94 wastewater treatment plants, 3 water distribution plants, 3 sludge treatment plants and 1 reclaimed water treatment plant. Total daily treatment capacity for new projects secured for the six-month period ended 30 June 2017 was 500,000 tonnes, including wastewater treatment projects of 350,000 tonnes, water distribution projects of 150,000 tonnes. The Group will further expand its urban water treatment chain in the future.

As at 30 June 2017, the Group's total daily treatment capacity was 3,863,350 tonnes, representing a satisfied increase of approximately 15% as compared with the capacity of 3,363,350 tonnes as at 31 December 2016. The increase of the Group's service concession arrangements projects portfolio was a result of strong execution due to its market expansion and development strategy at beginning of the year.

Analysis of the Group's projects on hand as at 30 June 2017 is as follows:

	Daily wastewater treatment capacity	**Daily water distribution capacity**	**Daily reclaimed water treatment capacity**	**Daily sludge treatment capacity**	**Total**
(Tonnes)					
In operation	2,676,500	–	40,000	350	2,716,850
Not yet start operation/ Not yet transferred	935,000	211,300	–	200	1,146,500
Total	3,611,500	211,300	40,000	550	3,863,350
(Number of projects)					
In operation	71	–	1	1	73
Not yet start operation/ Not yet transferred	23	3	–	2	28
Total	94	3	1	3	101

	Number of projects	Treatment capacity (Tonnes/Day)	Actual processing volume during the six months ended 30 June 2017 (Million Tonnes)
Wastewater treatment services			
Henan	21	970,000	158.3
Shandong	45	1,304,500	125.2
Anhui	5	225,000	33.5
Jiangsu	5	82,000	10.9
Heilongjiang	5	400,000	52.5
Other provinces/municipalities*	13	630,000	24.7
	94	3,611,500	405.1
Water distribution services	3	211,300	–
Reclaimed water treatment services	1	40,000	2.3
Total	98	3,862,800	407.4
Sludge treatment services	3	550	–
Total	101	3,863,350	407.4

* Other provinces/municipalities include Beijing, Tianjin, Hebei, Jilin, Liaoning, Shaanxi, Guangdong, Fujian and Zhejiang.

1.1.1 Operation Services

As at 30 June 2017, the Group had 71 wastewater treatment projects, 1 reclaimed water treatment project, and 1 sludge treatment project in operation in Mainland China. Total daily treatment capacity in operation of wastewater treatment plants, reclaimed water treatment plant, and sludge treatment plant as at 30 June 2017, reached 2,676,500 tonnes (31 December 2016: 2,451,500 tonnes), 40,000 tonnes (31 December 2016: 40,000 tonnes) and 350 tonnes (31 December 2016: 350 tonnes), respectively. For the six-month period ended 30 June 2017, the annualized utilization rate for wastewater and reclaimed water treatment plants in operation was approximately 85%. The actual average water treatment tariff for the six-month period ended 30 June 2017 was approximately RMB1.31 per tonne (year ended 31 December 2016: approximately RMB1.32 per tonne).The actual aggregate processing volume for the six-month period ended 30 June 2017 was 407.4 million tonnes (six-month period ended 30 June 2016: 342.8 million tonnes).

Total operation revenue of urban water treatment services recorded for the six-month period ended 30 June 2017 was RMB298.1 million (the six-month period ended 30 June 2016: RMB263.5 million), the corresponding increase was primarily due to an increase in commencement of operation of new water treatment projects through business combination and construction.

1.1.2 Construction Services

The Group entered into a number of service concession arrangements under BOT, BOO and PPP contracts in relation to its urban water treatment business. Under the International Financial Reporting Interpretation Committee 12 Service Concession Arrangements, the Group recognizes 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 from BOT, BOO, PPP and EPC projects is recognized by using the percentage-of-completion method.

For the six-month period ended 30 June 2017,construction revenue was recognized for 27 projects, including 21 waste water treatment plants, 3 water distribution plants and 3 sludge treatment plants which were mainly located in Henan, Shandong and Heilongjiang provinces in Mainland China. Total construction revenue of those projects for the six-month period ended 30 June 2017 was RMB408.5 million (six-month period ended 30 June 2016: RMB433.2 million). The corresponding decrease was primarily due to a slight decrease in the project numbers during the main construction period. As at 30 June 2017, the total daily treatment capacity of the service concession arrangements plants, which was still in the construction stage, was 461,500 tonnes, including wastewater treatment plants of 250,000 tonnes, water distribution plants of 211,300 tonnes and sludge treatment plants of 200 tonnes.

1.2 Water Environment Comprehensive Remediation

On 18 August 2016, the Group entered into a PPP project agreement and an operation service agreement in respect of the PPP project for water supply and drainage in the urban area of Rushan City, Shandong Province, after a public tender process. It is estimated that such project, with a total investment budget of approximately RMB481.4 million, has a service concession period of twenty-five years (comprising two years of construction and twenty-three years of operation). As at 30 June 2017, such project was under construction.

On 7 September 2016, the Group has successfully passed the competitive negotiation process and has been awarded the project contract in relation to the water environment treatment project in Tang River basin in Shancheng District, Hebi City, Henan Province, the PRC. It is estimated that such project, with a total government procurement budget of approximately RMB2,100.0 million, has a construction period of approximately six years (comprising three stages with two-year construction period for each stage). As at 30 June 2017, first stage of such project was under construction.

On 13 February 2017, the Group announced that the Group has successfully passed the competitive negotiation process and has been awarded the project contract in relation to the new construction PPP project of Jinhai West Road and Haiyun Road utility tunnel in Nanhai New District, Weihai City* (威海南海新區金海西路及海韻路綜合管廊新建工程PPP項目), which locates in the Weihai City, Shandong Province, the PRC. It is estimated that such project, with a total government procurement budget of approximately RMB808.0 million, has a construction period of approximately two years. As at 30 June 2017, such project was under construction.

* *For identification purposes only*

Analysis of the Group's Water Environment Comprehensive Remediation projects on hand as at 30 June 2017 is as follows:

Project name	**Total investment amount** (RMB million)	**Contract time for the project**
Water Supply and Drainage PPP Project in the urban area of Rushan City, Shangdong Province	481.4	18 August 2016
Tang River Basin Water Environmental Treatment Project in Shancheng District, Hebi City, Henan Province	2,100.0	19 September 2016
Jinhai West Road and Haiyun Road Utility Tunnel in Nanhai New District, Weihai City	808.0	13 February 2017

As mentioned above, the Group had 3 water environment comprehensive remediation projects under construction during the six-month period ended 30 June 2017. For the six-month period ended 30 June 2017, total revenue of those projects was RMB108.1 million (six-month period ended 30 June 2016: RMB7.1 million), the corresponding increase was primarily due to the developing strategy set up for business of Water Environment Comprehensive Remediation in the year of 2016, and the strong execution of its market expansion.

1.3 Rural Water Improvement

On 4 August 2016, Yunan County Environmental Protection Bureau, Yunan Kangda Liangke Environment Treatment Co., Ltd.* (郁南康達亮科環境治理有限公司), and the Group initiated a PPP project agreement in respect of the PPP project after a competitive negotiation process. Since then, the Group further expanded to rural water improvement business. Such PPP project comprised subprojects of (i) the wastewater treatment facilities construction, (ii) the supporting pipeline networks construction, and (iii) comprehensive improvement of residential environment in the 15 exemplary central villages, which aims to build villages with ecological agriculture, ecological tourism and ecological cultural characteristic. It is estimated that such project, with a total investment budget of approximately RMB502.0 million, has a service concession period of thirty years (for detailed information please refer to the announcement of the Company dated 4 August 2016). As at 30 June 2017, such project was under construction.

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On 1 June 2017, the Water Department of Jiaoling County* (蕉嶺縣水務局), the Group and Hunan Provincial Architectural Design Institute (湖南省建築設計院), after a competitive negotiation process, entered into a PPP project agreement in respect of the PPP project for the domestic wastewater treatment in Jiaoling County, Meizhou City, Guandong Province, the PRC, which comprises of 6 sub-projects, which are the Wastewater Treatment Facilities and Ancillary Pipeline Network Construction Project in Guangfu Town* (廣福鎮污水處理設施及配套管網建設項目), the Wastewater Treatment Facilities and Ancillary Pipeline Network Construction Project in Lanfang Town* (藍坊鎮污水處理設施及配套管網建設項目), the Wastewater Treatment Facilities and Ancillary Pipeline Network Construction Project in Nanqi Town* (南礤鎮污水處理設施及配套管網建設項目), the Wastewater Treatment Facilities and Ancillary Pipeline Network Construction Project in Sanzhen Town* (三圳鎮污水處理設施及配套管網建設項目), the Wastewater Treatment Facilities and Ancillary Pipeline Network Construction Project in Wenfu Town* (文福鎮污水處理設施及配套管網建設項目), and the Village Wastewater Treatment Facilities and Ancillary Pipeline Network Construction Project* (村級污水處理設施及配套管網建設項目) in 200 villages in Jiaoling County. It is estimated that such project, with a total investment budget of approximately RMB187.0 million, has a service concession period of twenty-two years (for detailed information please refer to the announcement of the Company dated 1 June 2017).

Analysis of the Group's Rural Water Improvement projects on hand as at 30 June 2017 is as follows:

Project name	**Total investment amount** (RMB million)	**Contract time for the project**
Yunan County Entire County Domestic Wastewater Treatment Bundle PPP Project* (郁南縣整縣生活污水處理捆綁PPP項目)	502.0	4 August 2016
Jiaoling County Entire County Domestic Wastewater Treatment Facilities Bundle PPP Project* (蕉嶺縣生活污水處理設施全縣捆綁PPP項目)	187.0	1 June 2017

As mentioned above, the Group had 2 Rural Water Improvement projects under construction during the six-month period ended 30 June 2017. For the six-month period ended 30 June 2017, total revenue of those projects was RMB34.1 million (six-month period ended 30 June 2016: nil). The corresponding increase was not comparable due to that the commencement of construction work of Rural Water Improvement project was in the second half of 2016.

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MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS

Revenue

For the six-month period ended 30 June 2017, the Group recorded a revenue of RMB1,067.6 million, representing an increase of approximately 18% compared to the previous corresponding period of RMB902.2 million. The increase was mainly due to the increase in construction revenue of RMB116.4 million, the increase in operation revenue of RMB34.6 million, and the increase in financial income of RMB14.4 million. The increase in construction revenue was mainly due to the increase in commencement of construction work for the Group's new BOT, PPP and EPC projects, especially due to the new projects of Water Environment Comprehensive Remediation and Rural Water Improvement, the increase in operation revenue was mainly due to the increase in commencement of operation of new BOT projects. The increase in financial income was mainly due to the increase in the Group's total water treatment capacity and the increased financial assets as well.

Cost of Sales

The Group's cost of sales for the six-month period ended 30 June 2017 amounted to RMB645.3 million, representing an increase of approximately 23% as compared to the previous corresponding period of RMB524.7 million. The increase was due to the increase in construction costs of RMB106.2 million and the increase in operation costs amounted to RMB14.4 million. The increase in construction costs was mainly due to the increase in commencement of construction work of new projects for water environment comprehensive remediation services and rural water improvement services. The increase in operation costs was in line with the increased daily treatment capacity in operation. Cost of sales mainly includes construction costs of RMB462.2 million and operation costs of water treatment plants of RMB183.1 million.

Gross Profit Margin

For the six-month period ended 30 June 2017, gross profit margin was approximately 40%, representing a decrease of 2 percentage points as compared to the previous corresponding period of approximately 42%. The decrease was mainly due to (i) the decrease of the construction margin caused by the high competitive environmental market, (ii) the increase of operation margin caused by the stable operation for the new commenced water treatment plants, (iii) the decrease in the proportion of financial income.

Other Income and Gains

The Group recorded other income and gains of RMB74.0 million for the six-month period ended 30 June 2017, representing an increase of approximately 57% as compared to the previous corresponding period of RMB47.2 million. The amount for this period primarily included government grants of RMB49.8 million, which was mainly comprised of VAT refund under Cai Shui 2015 No. 78 and grants for environment protection, bank interest income of RMB2.0 million, interest income of RMB17.4 million from loans to third parties, and gains on foreign exchange transactions of RMB3.4 million.

Administrative Expenses

Administrative expenses for the six-month period ended 30 June 2017 was RMB135.6 million, representing an increase of approximately 29% as compared to the previous corresponding period of RMB105.4 million. The increase was mainly due to the increase in staff costs of RMB10.2 million which caused by the increase of companies operated in line with the Group's expansion plan, the increase in professional expense amounting to RMB6.9 million, and travelling expenses, related to the Group's development and subsidiary management amounting to RMB3.1 million.

Finance Costs

Finance costs for the six-month period ended 30 June 2017 mainly represented interests on interest-bearing bank borrowings and corporate bonds of RMB155.9 million, representing an increase of approximately 19% as compared to RMB131.4 million in the previous corresponding period. The increase in finance costs was mainly due to the increase of interest-bearing bank borrowings and corporate bonds in line with the increase in project portfolio. The average amount of interest-bearing bank borrowings and corporate bonds increased approximately RMB1,294.0 million and the average interest rate decreased to 5.19%.

Share of Profits and Losses of Associates

Share of profits and losses of associates for the six-month period ended 30 June 2017 was RMB36.3 million, representing a climbed increase as compared to RMB2.4 million for the previous corresponding period, primarily because 15% equity interest in the Group's associate Zhongyuan Asset Management Co., Ltd.* (中原資產管理有限公司) which was acquired on 30 September 2016 recognised a profit of RMB37.2 million. We have unified the basis for the preparation of the financial statements of associates and the Group.

Income Tax Expense

Income tax expense for the six-month period ended 30 June 2017 included the current PRC income tax of RMB19.8 million and deferred tax expenses of RMB26.1 million, compared to RMB19.2 million and RMB26.5 million for the previous corresponding period respectively. The Group's effective tax rate for the six-month period ended 30 June 2017 was about 20%, representing a decrease of 7 percentage points as compared with 27% for the last corresponding period, which was mainly due to the share of profits and losses of associates recognised was free of tax, and the decrease of tax effect of tax losses not recognised.

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Financial Receivables

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Receivables for service concession arrangements	7,422,589	7,044,612
Receivables for BT arrangements	–	9,643
Subtotal of financial receivables	7,422,589	7,054,255
Portion classified as current	1,288,051	1,268,065
Non-current portion	6,134,538	5,786,190

As at 30 June 2017, the Group's financial receivables was RMB7,422.6 million, representing an increase of approximately 5% as compared to RMB7,054.3 million as at 31 December 2016. The increase was primarily due to the increase in construction of the Group's service concession arrangements projects under BOT and PPP contracts and the acquisition of waste water treatment projects through business combination.

Trade and Bills Receivables

As at 30 June 2017, the Group's trade and bills receivables of RMB856.9 million (31 December 2016: RMB765.2 million) mainly arose from the provision of wastewater treatment and sludge treatment services for urban water treatment projects as well as construction services for the Group's water environment comprehensive remediation projects. The balance increased by RMB91.7 million, mainly due to (i) the increase of urban water treatment projects receivables of approximately RMB28.8 million, (ii) the increase of water environment comprehensive remediation projects receivables of approximately RMB58.0 million, which included cash collected from Yucheng BT project of approximately RMB19.7 million, and EPC project receivables of approximately RMB77.7 million arose from the progress billing, and (iii) the increase of bills receivables of approximately RMB4.8 million collected from the government for the settlements of water treatment service.

Cash and Cash Equivalents

As at 30 June 2017, the Group's cash and cash equivalents of RMB815.0 million (31 December 2016: RMB675.3 million) increased by RMB139.7 million. The increase was due to the increase of Group's interest-bearing bank borrowings.

	For the six-month period ended 30 June	
	2017	2016
	RMB'000	RMB'000
Net cash flows used in/from operating activities[1]	**(132,315)**	167,546
Net cash flows used in/from investing activities	**(100,488)**	320,833
Net cash flows from/used in financing activities	**373,995**	(262,199)
Net increase in cash and cash equivalents	**141,192**	226,180
Effect of foreign exchange rate changes	**(1,435)**	2,156
Cash and cash equivalents at beginning of the period	**675,285**	1,291,770
Cash and cash equivalents at end of the period	**815,042**	1,520,106

Note:

(1) For the six-month period ended 30 June 2017 and 2016, the Group invested RMB389.7 million and RMB316.0 million, respectively, in the Group's BOT, TOT and PPP projects. Such investments were counted towards cash flows used in operating activities. Under the relevant accounting treatment, part of such cash outflows used in operating activities was used to form the non-current portion of financial receivables in the Group's interim condensed consolidated statement of financial position. For the six-month period ended 30 June 2017 and 2016, the Group would have incurred cash inflows of RMB257.4 million and cash inflows of RMB483.5 million, respectively, if the Group's investments in BOT, TOT and PPP activities were not accounted for as cash flows used in operating activities.

Trade and Bills Payables

As at 30 June 2017, the Group's trade and bills payables of RMB898.1 million (31 December 2016: RMB916.7 million) decreased by RMB18.6 million, which was due to the settlement in trade payables to sub-contractors.

Liquidity and Financial Resources

The Group's principal liquidity and capital requirements primarily relate to investments in urban water treatment projects, water environment comprehensive remediation projects, and rural water improvement projects, merger and acquisition of subsidiaries, costs and expenses related to the operation and maintenance of the Group's facilities, working capital and general corporate purpose.

As at 30 June 2017, the carrying amount of the Group's cash and cash equivalents was RMB815.0 million, representing an increase of approximately RMB139.7 million as compared to RMB675.3 million as at 31 December 2016, which was mainly due to the net cash inflows from financing activities of RMB374.0 million, settlements of acquisition and investing payables amounting to RMB149.2 million and cash outflows of RMB99.8 million for purchases and construction of property, plant and equipment and intangible assets from investing activities, repurchase of available-for-sale financial investments amounting to RMB149.8 million from investing activities, and the net cash out flows from operating activities of RMB132.3 million.

The Group's total interest-bearing bank borrowings amounted to RMB5,305.0 million as at 30 June 2017 (31 December 2016: RMB4,521.0 million), over 78% of which bear interest at floating rates.

The Group's total corporate bonds amounted to RMB947.8 million as at 30 June 2017 (31 December 2016: RMB1,246.8 million), which comprised corporate bonds issued on 18 December 2015, 30 June 2016 with an aggregate amount of RMB900.0 million, and RMB60.0 million respectively. All the corporate bonds bear interest at fixed rates.

As at 30 June 2017, the Group had banking facilities amounting to RMB56,561.8 million, of which RMB50,164.8 million have not been utilised. Of the unutilised banking facilities as at that date, RMB850.0 million were unrestricted facilities and the remaining RMB49,314.8 million were restricted facilities, which were mainly limited to be utilized on environment protection infrastructure and comprehensive management.

As at 30 June 2017, the gearing ratio (calculated by net debt divided by capital and net debt) is 62%, while the gearing ratio was 63% as at 31 December 2016. The decrease of gearing ratio is mainly due to the increase of the cash and cash equivalents.

Charges on the Group's Assets

Outstanding balance of interest-bearing bank and other borrowings as at 30 June 2017 was approximately RMB5,305.0 million, which were repayable within two months to twenty-eight years and were secured by financial receivables, property, plant and equipment, trade receivables and pledged deposits, of which the total amounts of the pledge of assets amounted to RMB4,886.7 million.

EMPLOYEES AND REMUNERATION POLICIES

The Group had 2,192 employees as at 30 June 2017. 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 2017, the Group did not have any significant contingent liabilities (31 December 2016: 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 2017, except for the bank deposits and certain amount of interest-bearing bank borrowings denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations. Currently, the Group has not used derivative financial instruments to hedge its foreign currency risk.

OTHER INFORMATION

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Adapting and adhering to the recognised standards of corporate governance principles and practices has always been one of the top priorities of the Company. The board (the "Board") of directors of the Company (the "Directors") believes that good corporate governance is one of the areas that lead to the success of the Company and in balancing the interests of shareholders, customers and employees, and the Board is devoted to ongoing enhancements of the efficiency and effectiveness of such principles and practices.

The Company has adopted the code provisions included in the corporate governance code (the "Corporate Governance Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Board is of the view that during the six months ended 30 June 2017, the Company has complied with the Corporate Governance Code and there has been no deviation from the code provisions as set forth under the Corporate Governance Code.

The Group further strengthened the control over budget, risk, performance and responsibilities, optimised management approaches and strategies, improved supporting mechanism and enhanced control effectiveness and operational efficiency of the Group.

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

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

INTERIM DIVIDEND

The Board did not recommend the payment of interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

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

As at 30 June 2017, 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)	1,145,319,004	55.40%
Mr. Zhang Weizhong(2)	Beneficial owner (long position)	4,550,000	0.22%
Ms. Liu Zhiwei(2)	Beneficial owner (long position)	3,850,000	0.19%
Mr. Gu Weiping(2)	Beneficial owner (long position)	3,500,000	0.17%
Mr. Wang Litong(2)	Beneficial owner (long position)	3,500,000	0.17%
Mr. Wang Tianci(2)	Beneficial owner (long position)	1,750,000	0.08%

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 2017, 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 2017, 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 of controlled corporation (long position)	1,142,419,004	55.26%
	Beneficial owner (long position)	2,900,000	0.14%
Kangda Holdings Company Limited[2]	Beneficial owner (long position)	1,142,419,004	55.26%
Baring Private Equity Asia V Holding (5) Limited[3]	Beneficial owner (long position)	344,129,996	16.64%
The Baring Asia Private Equity Fund V, L.P.[3]	Interest of controlled corporation (long position)	344,129,996	16.64%
Baring Private Equity Asia GP V, L.P.[3]	Interest of controlled corporation (long position)	344,129,996	16.64%
Baring Private Equity Asia GP V Limited[3]	Interest of controlled corporation (long position)	344,129,996	16.64%
Mr. Jean Eric Salata[3]	Interest of controlled corporation (long position)	344,129,996	16.64%

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 under the SFO.

(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 2017, 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

CHANGES IN DIRECTORS AND SENIOR MANAGEMENT MEMBERS

Mr. Zhuang Ping (莊平先生) submitted his resignation to the Board for resigning from the office as a non-executive Director with effect from 31 March 2017.

Mr. Wang Tianci (王天賜先生) was appointed as an executive Director with effect from 26 May 2017.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the six-month period ended 30 June 2017, none of the Directors is aware that any 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 interim report.

EVENTS AFTER THE REPORTING PERIOD

No significant events took place subsequent to 30 June 2017.

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 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 2017, 910,000 options were lapsed or cancelled, and no option was granted or exercised under the Share Option Scheme. The options granted shall vest and become exercisable within one year from the relevant date of vesting in three tranches in the proportion of 30%, 30% and 40% at the end of the 12th, 24th and 36th month after the date of grant, unless otherwise determined by the Company at its discretion in exceptional circumstances.

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

Name of grantee	Date of grant	Closing Price as at the date of grant of options (HK$)	Exercise price per share (HK$)	Number of options: Outstanding as at 1 January 2017	Granted during the Period	Exercised during the Period	Cancelled/ lapsed during the Period	Outstanding as at 30 June 2017	Exercise period (Note 1)
Director									
Zhang Weizhong (also the chief executive officer)	19/12/2014	3.340	3.386	–	–	–	–	–	A
				1,950,000	–	–	–	1,950,000	B
				2,600,000	–	–	–	2,600,000	C
Sub-total				4,550,000	–	–	–	4,550,000	
Liu Zhiwei	19/12/2014	3.340	3.386	–	–	–	–	–	A
				1,650,000	–	–	–	1,650,000	B
				2,200,000	–	–	–	2,200,000	C
Sub-total				3,850,000	–	–	–	3,850,000	
Gu Weiping	19/12/2014	3.340	3.386	–	–	–	–	–	A
				1,500,000	–	–	–	1,500,000	B
				2,000,000	–	–	–	2,000,000	C
Sub-total				3,500,000	–	–	–	3,500,000	
Wang Litong	19/12/2014	3.340	3.386	–	–	–	–	–	A
				1,500,000	–	–	–	1,500,000	B
				2,000,000	–	–	–	2,000,000	C
Sub-total				3,500,000	–	–	–	3,500,000	
Wang Tianci	19/12/2014	3.340	3.386	–	–	–	–	–	A
				750,000	–	–	–	750,000	B
				1,000,000	–	–	–	1,000,000	C
Sub-total				1,750,000	–	–	–	1,750,000	
Other employees (in aggregate)	19/12/2014	3.340	3.386	–	–	–	–	–	A
				14,160,000	–	–	(390,000)	13,770,000	B
				18,880,000	–	–	(520,000)	18,360,000	C
Sub-total				33,040,000	–	–	(910,000)	32,130,000	
Total				50,190,000	–	–	(910,000)	49,280,000	

Note:

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

   A: 19 December 2015 to 18 December 2016

   B: 19 December 2016 to 18 December 2017

   C: 19 December 2017 to 18 December 2018

The Directors have established the values of the share options granted during the period, calculated using binomial model as at the date of grant of the share options.

AUDIT COMMITTEE AND REVIEW OF THE INTERIM RESULTS

The Company has established the audit committee pursuant to a resolution of the Directors passed on 30 October 2013 (the "Audit Committee") in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code. The primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems, oversee the audit process and perform other duties and responsibilities as assigned by the Board. At present, the Audit Committee consists of three independent non-executive Directors, being Mr. Tsui Yiu Wa Alec, Mr. Peng Yongzhen and Mr. Chang Qing, 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 2017. The Audit Committee has also discussed matters with respect to the accounting policies, the practices adopted by the Company and the internal control with senior management members of the Company.

The unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2017 has also been reviewed by the Company's auditor, Ernst & Young, in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by International Auditing and Assurance Standards Board.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

The Company has established a nomination committee on 30 October 2013 (the "Nomination Committee") with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code. The primary function of the Nomination Committee is to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive. The Nomination Committee currently consists of five members, comprising Mr. Zhao Juanxian (alias, Zhao Junxian), Mr. Zhang Weizhong, Mr. Tsui Yiu Wa Alec, Mr. Peng Yongzhen and Mr. Chang Qing, 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 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 2017.

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

During the six months ended 30 June 2017, 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

The interim results announcement of the Group for the six months ended 30 June 2017 has been published on the website of the HKEx at www.hkexnews.hk and the website of the Company at www.kangdaep.com. This interim report 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, 29 August 2017

INDEPENDENT REVIEW REPORT

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To shareholders of Kangda International Environmental Company Limited
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 24 to 58, which comprises the condensed consolidated statement of financial position of Kangda International Environmental Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") as at 30 June 2017 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board.

The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by International Auditing and Assurance Standards Board. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Certified Public Accountants
Hong Kong

29 August 2017

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

30 June 2017

	Notes	For the six-month period ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
REVENUE	4	1,067,596	902,186
Cost of sales		(645,265)	(524,675)
Gross profit		422,331	377,511
Other income and gains	5	74,022	47,153
Selling and distribution expenses		(5,654)	(4,993)
Administrative expenses		(135,572)	(105,436)
Other expenses		(4,976)	(17,537)
Finance costs	7	(155,908)	(131,378)
Share of profits and losses of:			
Associates		36,309	2,359
A joint venture		(1,373)	–
PROFIT BEFORE TAX	6	229,179	167,679
Income tax expense	8	(45,875)	(45,702)
PROFIT FOR THE PERIOD		183,304	121,977
OTHER COMPREHENSIVE INCOME			
The comprehensive income to be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income of an associate		112,909	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		296,213	121,977
Profit attributable to:			
Owners of the parent		176,660	112,979
Non-controlling interests		6,644	8,998
		183,304	121,977
Total comprehensive income attributable to:			
Owners of the parent		289,569	112,979
Non-controlling interests		6,644	8,998
		296,213	121,977
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		RMB	RMB
— Basic and diluted	9	8.54 cents	5.46 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2017

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	130,958	100,082
Investment properties		1,464	1,592
Investments in associates		851,690	620,463
Investment in a joint venture		21,812	23,185
Intangible assets		351,563	279,634
Goodwill		60,219	60,219
Financial receivables	11	6,134,538	5,786,190
Deferred tax assets		64,584	53,715
Prepayments, deposits and other receivables		356,521	292,964
Total non-current assets		7,973,349	7,218,044
CURRENT ASSETS			
Inventories		10,290	36,593
Construction contracts		180,057	188,370
Financial receivables	11	1,288,051	1,268,065
Trade and bills receivables	12	856,888	765,208
Prepayments, deposits and other receivables		774,393	758,042
Pledged deposits		94,416	92,444
Available-for-sale financial investments		8,650	158,400
Cash and cash equivalents	13	815,042	675,285
Total current assets		4,027,787	3,942,407
CURRENT LIABILITIES			
Trade and bills payables	14	891,451	910,396
Other payables and accruals		251,807	263,125
Deferred income		16,133	16,133
Interest-bearing bank and other borrowings	15	2,673,737	2,360,092
Corporate bonds		–	300,000
Tax payable		16,220	19,839
Total current liabilities		3,849,348	3,869,585
NET CURRENT ASSETS		178,439	72,822
TOTAL ASSETS LESS CURRENT LIABILITIES		8,151,788	7,290,866

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2017

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Trade payables	14	6,663	6,304
Interest-bearing bank and other borrowings	15	2,631,291	2,160,917
Corporate bonds		947,825	946,825
Deferred income		9,767	17,833
Deferred tax liabilities		503,739	465,820
Total non-current liabilities		4,099,285	3,597,699
Net assets		4,052,503	3,693,167
EQUITY			
Equity attributable to owners of the parent			
Issued capital		16,444	16,444
Reserves		3,834,233	3,530,541
		3,850,677	3,546,985
Non-controlling interests		201,826	146,182
Total equity		4,052,503	3,693,167

Zhang Wei Zhong
Director

Liu Zhiwei
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2017

	Attributable to owners of the parent									
	Issued capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Special reserve RMB'000	Share option reserve RMB'000	Available-for-sale financial investments revaluation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 31 December 2016	16,444	1,758,407	383,563	–	49,280	14,395	1,324,896	3,546,985	146,182	3,693,167
Profit for the period (Unaudited)	–	–	–	–	–	–	176,660	176,660	6,644	183,304
Other comprehensive income (Unaudited)										
Share of other comprehensive income of an associate (a)	–	–	–	–	–	112,909	–	112,909	–	112,909
Total comprehensive income (Unaudited)	–	–	–	–	–	112,909	176,660	289,569	6,644	296,213
Dividends declared and allocated	–	(33,080)	–	–	–	–	–	(33,080)	–	(33,080)
Capital contribution from the non-controlling shareholder	–	–	–	–	–	–	–	–	49,000	49,000
Share of other capital reserve of an associate (a)	–	–	43,509	–	–	–	–	43,509	–	43,509
Equity-settled share option scheme (b)	–	–	–	–	3,694	–	–	3,694	–	3,694
Transfer to special reserve (Unaudited) (c)	–	–	–	8,252	–	–	(8,252)	–	–	–
Utilisation of special reserve (Unaudited) (c)	–	–	–	(8,252)	–	–	8,252	–	–	–
As at 30 June 2017 (Unaudited)	16,444	1,725,327*	427,072*	–*	52,974*	127,304*	1,501,556*	3,850,677	201,826	4,052,503
As at 31 December 2015	16,444	1,791,487	368,355	–*	33,423	–	990,319	3,200,028	130,655	3,330,683
Profit for the period (Unaudited)	–	–	–	–	–	–	112,979	112,979	8,998	121,977
Other comprehensive income (Unaudited) (a)	–	–	–	–	–	–	–	–	–	–
Total comprehensive income (Unaudited)	–	–	–	–	–	–	112,979	112,979	8,998	121,977
Dividends declared and allocated	–	(33,080)	–	–	–	–	–	(33,080)	–	(33,080)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	26,722	26,722
Equity-settled share option arrangements (b)	–	–	–	–	7,154	–	–	7,154	–	7,154
Transfer to special reserve (c) (Unaudited)	–	–	–	6,548	–	–	(6,548)	–	–	–
Utilisation of special reserve (c) (Unaudited)	–	–	–	(6,548)	–	–	6,548	–	–	–
As at 30 June 2016 (Unaudited)	16,444	1,758,407*	368,355*	–*	40,577*	–	1,103,298*	3,287,081	166,375	3,453,456

* These reserve accounts comprise the consolidated reserves of RMB3,834,233,000 (30 June 2016: RMB3,270,637,000) in the consolidated statement of financial position.

Notes:

(a) During the six-month period ended 30 June 2017, the Group recognised other comprehensive income of RMB 112,909,000 and other capital reserve of RMB 43,509,000 in Zhongyuan Asset Management Co., Ltd. (中原資產管理有限公司) ("Zhongyuan Asset").

(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 RMB 3,694,000 during the six-month period ended 30 June 2017.

(c) From 14 February 2012, the Group provided for and utilised the safety production expense fund according to the 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 2017

	Notes	For the six-month period ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**229,179**	167,679
Adjustments for:			
Finance costs	7	**155,908**	131,378
Foreign exchange differences		**(3,401)**	974
Share of profit and loss of associates and a joint venture		**(34,936)**	(2,359)
Equity-settled share option expense		**3,694**	7,154
Bank interest income	5	**(1,989)**	(2,803)
Interest income from loans to third parties	5	**(17,387)**	–
Investment income	5	**(904)**	(2,797)
Depreciation of property, plant and equipment	6	**4,201**	3,602
Depreciation of investment properties		**128**	129
Amortisation of intangible assets	6	**2,171**	249
Gains on disposal of property, plant and equipment, net		**72**	–
		336,736	303,206
Decrease in inventories		**26,303**	6,768
Increase in financial receivables		**(368,334)**	(148,283)
(Increase)/decrease in construction contracts		**8,313**	(3,721)
(Increase)/decrease in trade and bills receivables		**(91,680)**	80,444
(Increase)/decrease in prepayments, deposits and other receivables		**5,637**	(9,417)
Increase/(decrease) in trade and bills payables		**4,438**	(47,327)
Decrease in other payables and accruals		**(28,936)**	(6,733)
Increase/(decrease) in deferred income		**(8,066)**	9,720
Cash (used in)/generated from operations		**(115,589)**	184,657
Interest received		**6,712**	2,803
Income taxes paid		**(23,438)**	(19,914)
Net cash flows (used in)/from operating activities		**(132,315)**	167,546

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2017

	Notes	For the six-month period ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(35,222)**	(1,337)
Additions to intangible assets		**(64,535)**	(1,194)
Additions of investments in associates and a joint venture		**(36,000)**	(50,055)
Proceeds from disposal of investing deposits		**–**	450,400
Proceeds from disposals of items of property, plant and equipment		**73**	–
Investment income received	5	**904**	2,797
Acquisition of subsidiaries, net of cash acquired	17	**(40,075)**	(106,772)
Prepayment for acquisition		**(73,143)**	(25,100)
Repurchase of available-for-sale financial investments		**149,750**	–
Increase in loans due from third parties included in other receivables		**(268)**	–
(Increase)/decrease in pledged deposits		**(1,972)**	52,094
Net cash flows (used in)/from investing activities		**(100,488)**	320,833
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase of bank loans		**1,752,133**	464,300
Repayment of bank loans		**(1,262,692)**	(586,610)
Interest paid		**(131,366)**	(106,809)
Capital contribution from a non-controlling shareholder		**49,000**	–
Dividends paid to equity holders of the parent		**(33,080)**	(33,080)
Net cash flows from/(used in) financing activities		**373,995**	(262,199)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**141,192**	226,180
Cash and cash equivalents at beginning of the period		**675,285**	1,291,770
Effect of foreign exchange rate changes, net		**(1,435)**	2,156
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	13	**815,042**	1,520,106

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

1. CORPORATE AND GROUP INFORMATION

Kangda International Environmental Company Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 4 July 2014.

The Company is an investment holding company and its subsidiaries are engaged in the design, construction, operation and maintenance of wastewater treatment plants (the "WTPs"), reclaimed water treatment plants (the "RWTPs"), water distribution plants (the "WDPs"), sludge treatment plants (the "STPs") and other municipal infrastructures 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).

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

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 2017 have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting issued by the International Accounting Standards Board and compliance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

The unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention, except for structured deposit and available-for-sale financial investments, which have been measured at fair value 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 unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of new standards and interpretations effective as of 1 January 2017. 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 amendments apply for the first time in 2017, they do not have a material impact on the interim condensed consolidated financial Statements of the Group. The nature and the impact of each amendment is described below:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its unaudited interim condensed consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended 31 December 2017.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The Group applied the amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

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)*

Annual Improvements Cycle — 2014–2016

Amendments to IFRS 12 *Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12*. The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. These amendments do not have any impact on the Group as the Group does not have any interest in a subsidiary, a joint venture or an associate that is classified as held for sale.

2.3 Issued but not yet effective International Financial Reporting Standards

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

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1]
IFRS 9	*Financial Instruments*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
Amendments to IAS 40	*Transfers of Investment Property*[1]
IFRIC Interpretation 22	*Foreign Currency Transactions and Advance Consideration*[1]
IFRIC Interpretation 23	*Uncertainty over Income Tax Treatments*[2]
IFRS 17	*Insurance Contracts*[3]
Annual Improvements 2014–2016 Cycle	*Amendments to IFRS 1 and Amendments to IAS 28*[1]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

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 segment of Urban Water Treatment engages in the design, construction, upgrade and operation of WTPs, RWTPs, STPs, WDPs, and in the O&M;

(b) the segment of Water Environment Comprehensive Remediation engages in river harnessing and improvement, foul water body treatment, sponge city construction, pipeline network projects and urban comprehensive pipe tunnel; and

(c) the segment of Rural Water Improvement engages in the construction and operation related to "the Construction of Beautiful Village" such as: waste water treatment, pipeline construction for collecting waste water and rural living environment improvement.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on the reportable segment results, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that unallocated income and gains, finance costs as well as corporate and other unallocated expenses are excluded from such measurement.

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

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

Segment liabilities exclude corporate bonds, unallocated other payables and accruals, and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

3. OPERATING SEGMENT INFORMATION *(continued)*

For the six-month period ended 30 June 2017 (Unaudited)	Urban Water Treatment RMB'000	Water Environment Comprehensive Remediation RMB'000	Rural Water Improvement RMB'000	Total RMB'000
Segment revenue				
Sales to external customers	925,309	108,142	34,145	1,067,596
	925,309	108,142	34,145	1,067,596
Segment results	320,545	18,321	5,361	344,227
Reconciliation:				
Unallocated income and gains				6,829
Corporate and other unallocated expenses				(43,563)
Finance costs				(78,314)
Profit before tax for the period				229,179
Other segment information				
Share of profit and loss of associates	219	(615)	–	(396)
Unallocated share of profit and loss of associates				36,705
Unallocated share of profit and loss of a joint venture				(1,373)
Depreciation and amortisation	4,554	24	–	4,578
Unallocated depreciation and amortisation				1,922
Total depreciation and amortisation				6,500
At 30 June 2017 (Unaudited)				
Segment assets	9,912,679	850,886	170,179	10,933,744
Reconciliation:				
Corporate and other unallocated assets				1,067,392
Total assets				12,001,136
Segment liabilities	6,603,968	195,899	152,672	6,952,539
Reconciliation:				
Corporate and other unallocated liabilities				996,094
Total liabilities				7,948,633
Other segment information				
Investments in associates	78,159	65,463	–	143,622
Unallocated investments in associates				708,068
Unallocated investment in a joint venture				21,812
Capital expenditure	38,698	197	34,145	73,040
Unallocated amounts				2,306
Total capital expenditure*				75,346

* 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 2016 (Unaudited)	Urban Water Treatment RMB'000	Water Environment Comprehensive Remediation RMB'000	Rural Water Improvement RMB'000	Total RMB'000
Segment revenue				
Sales to external customers	895,097	7,089	–	902,186
	895,097	7,089	–	902,186
Segment results	263,413	7,089	–	270,502
Reconciliation:				
Unallocated income and gains				5,708
Corporate and other unallocated expenses				(34,154)
Finance costs				(74,377)
Profit before tax for the period				167,679
Other segment information				
Share of profit and loss of associates and a joint venture	4,121	(1,308)	–	2,813
Unallocated share of profit and loss of associates and a joint venture				(454)
Depreciation and amortisation	1,825	–	–	1,825
Unallocated depreciation and amortisation				2,155
Total depreciation and amortisation				3,980
At 31 December 2016 (Audited)				
Segment assets	9,395,807	766,667	169,260	10,331,734
Reconciliation:				
Corporate and other unallocated assets				828,717
Total assets				11,160,451
Segment liabilities	5,921,678	125,048	118,904	6,165,630
Reconciliation:				
Corporate and other unallocated liabilities				1,301,654
Total liabilities				7,467,284
Other segment information				
Investments in associates	75,440	30,078	–	105,518
Unallocated investments in associates				514,945
Unallocated investment in a joint venture				23,185
Capital expenditure	5,031	61	115,396	120,488
Unallocated amounts				4,975
Total capital expenditure*				125,463

* 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, BOO arrangements, EPC arrangements and other construction service projects, net of tax and government surcharges; (2) the revenue from operation of WTPs, RWTPs, WDPs, STPs or other municipal infrastructures under BOT arrangements, TOT arrangements, and the provision of Operation and Maintenance services; and (3) financial income on financial receivables. The amount of each significant category of revenue during the six-month period ended 30 June 2017 is as follows:

	For the six-month period ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from construction services	**549,622**	433,204
Revenue from operating services	**298,069**	263,497
Financial income	**219,905**	205,485
	1,067,596	902,186

5. OTHER INCOME AND GAINS

	For the six-month period ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government grants (note a)	**49,806**	41,320
Interest income from loans to third parties	**17,387**	–
Foreign exchange differences, net	**3,401**	–
Bank interest income	**1,989**	2,803
Investment income	**904**	2,797
Rental income less depreciation of investment properties	**204**	160
Others	**331**	73
	74,022	47,153

Note:

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

6. PROFIT BEFORE TAX

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

	Notes	For the six-month period ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Cost for construction services		462,158	355,984
Cost for operation services		183,107	168,691
Total of cost of sales		645,265	524,675
Depreciation of property, plant and equipment		4,201	3,602
Amortisation of intangible assets		2,171	249
Write-off trade receivables		4,341	–
Minimum lease payments under operating leases for buildings		3,718	2,939
Auditors' remuneration		650	480
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages, salaries and allowances, social securities and benefits		84,382	71,414
Pension scheme contributions (defined contribution scheme)		8,873	7,657
Equity-settled share option expenses		3,694	7,154
Total employee benefit expense		96,949	86,225
Bank interest income	5	(1,989)	(2,803)
Interest income from loans to third parties	5	(17,387)	–
Government grants	5	(49,806)	(41,320)
Foreign exchange differences, net		(3,401)	974

7. FINANCE COSTS

	For the six-month period ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	**122,803**	105,898
Interest on corporate bonds	**33,105**	25,480
	155,908	131,378

8. INCOME TAX EXPENSE

Pursuant to The PRC Enterprise Income Tax Law Implementing Regulations (中華人民共和國企業所得稅法實施條例), most of the subsidiaries established in the PRC, engaged in the operations of wastewater treatment projects, are eligible for tax holiday of a three-year full exemption followed by a three-year half exemption commencing from their respective first year of generating operating revenue (the "3+3 Tax Holiday"). At 30 June 2017, these subsidiaries were already qualified for the 3+3 Tax Holiday or in the process of preparation and submission of the required documents to the respective tax authorities to apply for the 3+3 Tax Holiday.

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

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

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

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong for the six-month period ended 30 June 2017 (six-month period ended 30 June 2016: Nil).

8. INCOME TAX EXPENSE *(continued)*

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

	For the six-month period ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax		
— Mainland China	**19,819**	19,238
Deferred income tax	**26,056**	26,464
Income tax charge for the period	**45,875**	45,702

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			
	2017		2016	
	RMB'000	**%**	RMB'000	%
	(Unaudited)		(Unaudited)	
Profit before tax	**229,179**		167,679	
Income tax charge at the statutory income tax rate	**57,295**	**25.00**	41,920	25.00
Effect of the preferential income tax rate for some entities	**(4,631)**	**(2.02)**	(3,865)	(2.30)
Tax effect of tax losses not recognised	**1,967**	**0.86**	8,473	5.05
Tax effect of share of profit and loss of associates and a joint venture	**(8,756)**	**(3.82)**	(826)	(0.49)
Tax charge at the effective rate	**45,875**	**20.02**	45,702	27.26

The share of tax attributable to associates and a joint venture amounting to RMB16,753,000 (six-month period ended 30 June 2016: RMB720,000) is included in "Share of profit and loss of associates and a joint venture" in the interim condensed consolidated statement of profit or loss and other comprehensive income.

9. 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 2017 in respect of a dilution as the share options outstanding had anti-dilutive effect on the basic earnings per share amounts presented.

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

	For the six-month period ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Earnings:		
Profit for the period attributable to ordinary equity holders of the parent	**176,660**	112,979

	Number of Shares 30 June 2017 (Unaudited)	Number of Shares 30 June 2016 (Unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of the basic earnings per share calculation	**2,067,515,000**	2,067,515,000

The Group did not issued any new share during the six-month period ended 30 June 2017.

10. PROPERTY, PLANT AND EQUIPMENT

During the six-month period ended 30 June 2017, the Group purchased and constructed property, plant and equipment with an aggregate cost amounting to approximately RMB35,222,000 (six-month period ended 30 June 2016: RMB1,337,000).

The property, plant and equipment with a net book value of approximately RMB145,000 were disposed of by the Group during the six-month period ended 30 June 2017 (six-month period ended 30 June 2016: Nil), resulting in a net loss on disposal of approximately RMB72,000 (six-month period ended 30 June 2016: Nil).

11. FINANCIAL RECEIVABLES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Receivables for service concession arrangements	7,422,589	7,044,612
Receivables for BT arrangements	–	9,643
Net financial receivables	7,422,589	7,054,255
Portion classified as current	(1,288,051)	(1,268,065)
Non-current portion	6,134,538	5,786,190

Receivables for service concession arrangements arose from the service concession contracts to build and operate WTPs, WDPs or STPs 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 or STPs 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 2017, the Group's financial receivables with a carrying value of RMB4,343,634,000 (31 December 2016: RMB3,913,773,000) were pledged to secure certain bank loans granted to the Group (note 15).

12. TRADE AND BILLS RECEIVABLES

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

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Trade receivables:		
Receivables for urban water treatment	**432,655**	403,824
Receivables for water environment comprehensive remediation	**404,343**	346,310
	836,998	750,134
Bills receivable	**19,890**	15,074
	856,888	765,208

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within 3 months	**260,804**	352,030
4 to 6 months	**98,115**	47,512
7 to 12 months	**198,272**	297,165
Over 12 months	**279,807**	53,427
	836,998	750,134

12. TRADE AND BILLS RECEIVABLES *(continued)*

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Neither past due nor impaired	**530,239**	492,461
Past due but not impaired:		
Less than 3 months past due	**154,216**	106,473
4 to 6 months past due	**55,227**	47,512
Over 6 months past due	**97,316**	103,688
	836,998	750,134

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

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

At 30 June 2017, the Group's trade receivables with a carrying value of approximately RMB190,139,000 (31 December 2016: RMB126,559,000) were pledged to secure certain bank loans granted to the Group (note 15).

13. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Cash and bank balances	909,458	767,729
Less: Pledged deposits	(94,416)	(92,444)
Cash and cash equivalents	815,042	675,285
Cash and bank balances denominated in:		
— RMB	763,304	623,334
— United States dollars	36,579	23,484
— Hong Kong dollars	15,159	28,467
Cash and cash equivalents	815,042	675,285

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 at 30 June 2017, the Group's pledged deposits with a carrying value of approximately RMB23,858,000 (31 December 2016: RMB24,517,000) were pledged to secure certain bank loans granted to the Group (note 15).

14. 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 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Bills payable (note (a))	116,365	117,848
TOT payables (note (b))	6,985	6,985
Trade payables	774,764	791,867
	898,114	916,700
Less: non-current portion	6,663	6,304
Current portion	891,451	910,396

Notes:

(a) The Group's bills payable are secured by the pledged deposits amounting to RMB56,454,000 as at 30 June 2017 (31 December 2016: RMB59,427,000).

(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 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within 3 months	555,786	414,965
4 months to 6 months	99,810	145,824
7 months to 12 months	17,367	140,205
Over 12 months	225,151	215,706
	898,114	916,700

The carrying amounts of the current portion of the trade and bills payables approximate to their fair values as at 30 June 2017.

15. INTEREST-BEARING BANK BORROWINGS

	30 June 2017			31 December 2016		
	Effective interest rate (%)	Maturity	RMB'000 (Unaudited)	Effective interest rate (%)	Maturity	RMB'000 (Audited)
Current						
Bank loans						
— unsecured	3.92-5.66	2017-2018	980,000	3.92-4.50	2017	780,000
Bank loans						
— secured	3.52-4.39	2017-2018	1,130,610	3.30-4.84	2017	789,639
Current portion of long term bank loans — secured	4.45-7.05	2017-2018	563,127	4.75-8.00	2017	790,453
			2,673,737			2,360,092
Non-current						
Long term other loans						
— unsecured	1.2-2.8	2026	70,000	1.2	2026	30,000
Long term bank loans						
— secured	4.45-7.05	2018-2045	2,561,291	4.75-8.00	2018-2033	2,130,917
			2,631,291			2,160,917
			5,305,028			4,521,009
Interest-bearing bank and other borrowings denominated in						
— RMB			5,129,324			4,326,864
— Hong Kong dollars			121,509			138,649
— US dollars			54,195			55,496
			5,305,028			4,521,009

15. INTEREST-BEARING BANK BORROWINGS *(continued)*

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Property, plant and equipment	20,428	21,283
Investment properties	–	1,592
Financial receivables (note 11)	4,343,634	3,913,773
Trade and bills receivables (note 12)	190,139	126,559
Pledged deposits (note 13)	23,858	24,517
Intangible assets	308,601	–

The Group's bank borrowings of RMB36,200,000 (31 December 2016: RMB50,700,000) were secured by the investment in the subsidiary, Beijing Chang Sheng Si Yuan Environmental Protection Technology Co., Ltd. (北京長盛思源環保科技有限公司). The Group's bank borrowings of RMB65,664,000 (31 December 2016: RMB69,120,000) were secured by the investment in the subsidiary, Dong'e County Guohuan Sewage Treatment Co., Ltd. ("Dong'e Guohuan"). The Group's bank borrowings of RMB115,500,000 (31 December 2016: RMB91,000,000) were secured by the investment in the subsidiary, Guangrao Kangda Environmental Protection Water Co., Ltd. (廣饒康達環保水務有限公司), a wholly-owned subsidiary of the Company. The Group's bank borrowings of RMB46,332,000 (31 December 2016: Nil) were secured by the investment in the subsidiary, Liaocheng Jiaming Guohuan Sewage Treatment Co., Ltd. ("Jiaming Guohuan"). The Group's bank borrowings of RMB47,000,000 (31 December 2016: Nil) were secured by the investment in the subsidiary, Qishan County Dayuan Sewage Treatment Co., Ltd. ("Qishan"). The Group's bank borrowings of RMB43,200,000 (31 December 2016: Nil) were secured by the investment in the subsidiary, Linqing City Guohuan Sewage Treatment Co., Ltd. ("Linqing Guohuan"). The Group's bank borrowings of RMB53,211,000 (31 December 2016: Nil) were secured by the investment in the subsidiary, Qitaihe Wanxinglong Co., Ltd. ("Qitaihe").

The bank borrowings in 2016 amounting to RMB50,000,000 guaranteed by Mr. Zhao Juanxian, who is the controlling shareholder of the Company, had been fully repaid in the six-month period ended 30 June 2017.

16. DIVIDEND

During the current interim period, a final dividend of RMB33,080,000 for the year ended 31 December 2016, at RMB1.6 cents per ordinary share based on 2,067,515,000 shares as at 25 May 2017, was approved by the annual general meeting and declared to the shareholders of the Company.

The board of directors did not recommend the payment of an interim dividend for the six-month period ended 30 June 2017.

17. BUSINESS COMBINATION

On 5 June 2017, 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 100% interest in Shandong Fengmin Water Limited ("Shandong Fengmin") at a total consideration of approximately RMB31,000,000, of which RMB21,700,000 has been paid during the six-month period ended 30 June 2017 and RMB9,300,000 remained unsettled on 30 June 2017.

The above acquisition was made as part of the Group's strategy to expand its market geographic coverage in wastewater treatment industry, water distribution industry and other municipal infrastructures, and increase its market share in these industry.

The fair values of the identifiable assets and liabilities of the subsidiary acquired during the period as at the date of acquisition was as follows:

	Shandong Fengmin RMB'000 (Unaudited)
Intangible assets	33,975
Prepayments, deposits and other receivables	56
Trade and bills payables	(1,386)
Other payables and accruals	(651)
Deferred tax liabilities	(994)
Total identifiable net assets at fair value	31,000
Purchase consideration at fair value	31,000

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

17. BUSINESS COMBINATION *(continued)*

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

	Shandong Fengmin RMB'000 (Unaudited)
An analysis of the cash flows in respect of the acquisition is as follows:	
Cash consideration paid during the period	(21,700)
Cash and cash equivalents acquired	–
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(21,700)
Transaction costs of the acquisition included in cash flows from operating activities	–

Since the acquisition, Shandong Fengmin contributed approximately RMB2,854,000 to the Group's revenue and approximately RMB250,000 to the Group's profit for the six-month period ended 30 June 2017.

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 RMB1,101,571,000 and RMB186,285,000 respectively.

During the period, the Group also settled certain outstanding consideration by cash in relation to the business combinations for the six-month period ended 30 June 2017 amounting to RMB18,375,000.

18. 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 2017 and 31 December 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within one year	**731**	706
In the second to fifth years, inclusive	**1,732**	2,105
	2,463	2,811

(b) As lessee

The Group leases certain office properties and land property under operating lease arrangements with leases negotiated for terms ranging from 1 to 22 years (2016: 1 to 23 years).

At 30 June 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within one year	**6,217**	3,634
In the second to fifth years, inclusive	**8,658**	1,462
Over five years	**2,021**	2,080
	16,896	7,176

19. CONTINGENT LIABILITIES

As at 30 June 2017 the Group did not have any significant contingent liabilities.

20. COMMITMENTS

In addition to the operating lease commitments detailed in note 18(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 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Contracted, but not provided for:		
Acquisitions of subsidiaries	670,953	838,060

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

Group

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Contracted, but not provided for	2,902,728	2,836,148

21. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group had the following material transactions with related parties during the year:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Certain expenses of the Group paid by non-controlling shareholders of:		
Weihai Kangda Ecological Environment Treatment Co., Ltd. ("Weihai Kangda")	2,400	–
Qishan	–	3,119
Jilin Kangda Environmental Protection Company Limited ("Jilin Kangda")	249	443
Qitaihe	–	20,579
Seven Guohuan subsidiaries*	–	3,718
Pingdingshan City Bay Water Treatment Co., Ltd. ("Pingdingshan City Bay")	–	2,138
Zhengzhou Xinzhongzhou Water Co., Ltd. ("Xinzhongzhou Water") and Xinzheng Xinkang Water Co., Ltd. ("Xinzheng Xinkang")	–	110
Acquisition considerations paid by the Group to non-controlling shareholders of:		
Xinzheng Xinkang	15,100	10,000
Qitaihe	1,479	99,762
Seven Guohuan Subsidiaries	–	164,891
Qishan	–	18,544
Pingdingshan City Bay	–	15,119
Weifang Shuangjie Water Purification Material Co., Ltd. ("Weifang Shuangjie")	1,796	3,412
Contribution of additional interest from the Group to an associate:		
Nanchang Qingshanhu Project Co., Ltd. ("Nanchang Qingshanhu")	2,500	–
Certain expenses paid by the Group for non-controlling shareholders of:		
Xinzhongzhou Water and Xinzheng Xinkang	5,040	2,856
Seven Guohuan Subsidiaries	1,398	299
Pingdingshan City Bay	–	2,000
Weihai Kangda	164	–
Revenue from construction contracts from an associate and a joint venture		
Zhongyuan Kangda Environmental Protection Co., Ltd. ("Zhongyuan Kangda")	79,810	–
Jiangxi Kanggan Environmental Technology Co., Ltd. ("Jiangxi Kanggan")	7,254	–

21. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

* On 30 June 2016, Chongqing Kangda, an indirectly wholly-owned subsidiary of the Company, further acquired a 9% interest in Jining Guohuan Sewage Treatment Co., Ltd. ("Jining Guohuan"), Yanggu County Guohuan Sewage Treatment Co., Ltd. ("Yanggu Guohuan"), Liaocheng Municipal Guohuan Sewage Treatment Co., Ltd. ("Liaocheng Guohuan"), Shen County Guohuan Sewage Treatment Co., Ltd. ("Shen County Guohuan"), Dong'e Guohuan, Jiaming Guohuan, and Linging Guohuan (collectively known as "Seven Guohuan subsidiaries") from Shandong Guohuan Industrial Investment Co., Ltd.("Shandong Guohuan").

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 a related party transaction during the year. 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.

The bank borrowings as at 31 December 2016 amounting to RMB50,000,000 guaranteed by Mr. Zhao Juanxian, who is the controlling shareholder of the Company, had been fully repaid in the six-month period ended 30 June 2017 (note 15).

(b) Outstanding balances with related parties

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Amounts due to non-controlling shareholders of:		
Seven Guohuan subsidiaries	**61,954**	64,439
Pingdingshan City Bay	**54,975**	55,075
Qitaihe	**22,865**	37,058
Hebi Kangda Water Co., Ltd. ("Hebi Kangda")	**12,000**	12,000
Jilin Kangda	**11,692**	11,443
Xinzhongzhou Water and Xinzheng Xinkang	**4,900**	20,110
Qishan	**5,119**	5,119
Weihai Kangda	**2,400**	–
Amounts due to an associate:		
Nanchang Qingshanhu	**2,500**	–

21. RELATED PARTY TRANSACTIONS *(continued)*

(b) Outstanding balances with related parties *(continued)*

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Amounts due from non-controlling shareholders of:		
Pingdingshan City Bay	**10,649**	11,649
Xinzhongzhou Water and Xinzheng Xinkang	**9,516**	4,604
Hebi Kangda	**2,950**	2,950
Seven Guohuan subsidiaries	**3,127**	1,729
Weihai Kangda	**164**	–
Amounts due from an associate		
Zhongyuan Kangda	**77,731**	–

(c) Compensation of key management personnel of the Group

	For the six-month period ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Audited)
Short term employee benefits	**853**	767
Equity-settled share option expenses	**44**	123
Post-employment benefits	**40**	23
Total compensation paid to key management personnel	**937**	913

22. 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 2017 (Unaudited)

	Available-for-sale financial investments RMB'000	Loans and receivables RMB'000	Total RMB'000
Financial assets			
Available-for-sale financial investments	8,650	–	8,650
Financial receivables	–	7,422,589	7,422,589
Trade and bills receivables	–	856,888	856,888
Financial assets included in prepayments, deposits and other receivables	–	921,916	921,916
Pledged deposits	–	94,416	94,416
Cash and cash equivalents	–	815,042	815,042
	8,650	10,110,851	10,119,501

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Financial liabilities		
Trade and bills payables	898,114	898,114
Financial liabilities included in other payables and accruals	245,798	245,798
Interest-bearing bank and other borrowings	5,305,028	5,305,028
Corporate bonds	947,825	947,825
	7,396,765	7,396,765

22. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

31 December 2016 (Audited)

	Available-for-sale financial investments RMB'000	Loans and receivables RMB'000	Total RMB'000
Financial assets			
Available-for-sale financial investments	158,400	–	158,400
Financial receivables	–	7,054,255	7,054,255
Trade and bills receivables	–	765,208	765,208
Financial assets included in prepayments, deposits and other receivables	–	904,831	904,831
Pledged deposits	–	92,444	92,444
Cash and cash equivalents	–	675,285	675,285
	158,400	9,492,023	9,650,423

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Financial liabilities		
Trade and bills payables	916,700	916,700
Financial liabilities included in other payables and accruals	257,276	257,276
Interest-bearing bank and other borrowings	4,521,009	4,521,009
Corporate bonds	1,246,825	1,246,825
	6,941,810	6,941,810

23. 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 amounts		Fair values	
	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)	**30 June 2017 RMB'000 (Unaudited)**	31 December 2016 RMB'000 (Audited)
Financial assets				
Available-for-sale financial investments	**8,650**	158,400	**8,650**	158,400
Prepayments, deposits and other receivables, non-current portion	**261,250**	250,000	**310,526**	295,482
Financial receivables, non-current portion	**6,134,538**	5,786,190	**6,398,410**	6,177,787
	6,404,438	6,194,590	**6,717,586**	6,631,669
Financial liabilities				
Trade and bills payables, non-current portion	**6,663**	6,304	**6,352**	6,010
Interest-bearing bank and other borrowings, non-current portion	**2,631,291**	2,160,917	**2,651,802**	2,188,535
Corporate bonds	**947,825**	1,246,825	**947,825**	1,246,825
	3,585,779	3,414,046	**3,605,979**	3,441,370

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.

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 2 as at the end of the six-month period ended 30 June 2017.

24. SUBSEQUENT EVENTS

Save as aforesaid, no other significant events took place subsequent to 30 June 2017.

25. 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 29 August 2017.