

CCXAP assigns first-time long-term credit rating of BB_g+ to Kangda International Environmental Company Limited, with stable outlook.

Hong Kong, 15 May 2026 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time long-term credit rating of BB_g+ to Kangda International Environmental Company Limited (“Kangda” or the “Company”), with stable outlook.

The BB_g+ long-term credit rating of Kangda reflects the Company’s (1) stable business profile with long-term concession periods and low concentration risk; (2) steady sewage treatment volume and capacity; and (3) stable revenue growth and profitability.

However, the rating is also constrained by (1) fragmented sewage treatment industry dominated by state-owned enterprises (SOEs); (2) the Company’s exposure to local government payment collection risk; (3) relatively high debt leverage; and (4) moderate credit metrics.

Corporate Profile

Founded in 1996, Kangda is a comprehensive urban environmental management service provider focusing on the investment, operation and construction of sewage treatment facilities. Kangda is among the largest private-sector participants in China's sewage treatment industry, and is listed on the main board of the Hong Kong Stock Exchange (Stock Code: 6136.HK) in 2014. In April 2019, CWA acquired approximately 29.52% stake in Kangda; CWA subscribed for exchangeable bonds in 2020, representing 16.93% of the issued share capital of Kangda; in July 2025, Mr. Duan Chuanliang (Founder and Chairman of the Board of CWA), as an exchangeable bondholder, exercised his exchange rights against Kangda for approximately 547 million shares, representing 25.55% of the total equities of Kangda. As of 31 December 2025, Mr. Duan Chuanliang held 37.21% of the equity shares and CWA held 27.41%, while the remaining shares were held by public shareholders and the directors of Kangda.

Rating Rationale

Credit Strengths

Stable business profile with long-term concession periods and low concentration risk.

Kangda is primarily engaged in urban water treatment, mainly in wastewater treatment. The Company’s business profile is underpinned by a concession-based model that secures its strong market position in the respective regions, eliminating direct competition for sewage flows once concessions are awarded.

Steady increasing capacity but expect to decline through project disposal. Kangda has demonstrated stable growth in both treatment capacity and actual treatment volume over the past several years. However, going forward, Kangda’s water treatment capacity and volumes are expected to decline modestly due to the ongoing disposal of underperforming assets initiated in recent years.



Stable revenue growth and profitability. Benefited by stable sewage treatment volume and increasing average wastewater treatment tariff, the Company's total revenue slightly increased from RMB2.2 billion in 2023 to RMB2.4 billion in 2025 over the past three years. The Company's profitability remains stable, which is in line with the Company's stable and low risk business profile.

Credit Challenges

Fragmented sewage treatment industry dominated by SOEs. China's sewage treatment industry features a highly fragmented market structure dominated by mainly SOEs or local government financing vehicles (LGFVs) owned by regional and local governments. This fragmentation limits pricing power and intensifies competition for new concessions and expansions, presenting a credit challenge for Kangda.

Exposure to local government payment collection risks. Kangda's exposure to local government collection risks stems from its reliance on government-funded payments under concession arrangements. In recent years, delayed payments in some regions have led to a lengthening of the collection cycle.

Relatively high debt leverage with moderate credit metrics. Although Kangda actively reduces its debt amount through project disposal, it still demonstrates a relatively high debt leverage. Given the relatively large debt burden, the Company's debt repayment ability is moderate.

Rating Outlook

The stable outlook on Kangda's rating reflects our expectation that the Company's business operations and financial profile will maintain stable, and the Company will maintain relatively low capital expenditure over the next 12-18 months.

What could upgrade the rating?

The rating could be upgraded if (1) the Company's market position significantly strengthens with a material increase in treatment capacity and volume; or (2) the Company's financial profile improves on a sustained basis, such as adjusted EBITDA interest coverage increased to over 5.0x, and/or adjusted FFO/Total debt ratio increased to over 15%.

What could downgrade the rating?

The rating could be downgraded if (1) the Company's market position significantly weakened with a material decrease in treatment capacity and volume; or (2) the Company's financial profile deteriorates over an extended period, such as adjusted EBITDA interest coverage decreased to less than 2.5x, and/or Total capitalization ratio increased to over 60%.

Rating Methodology

The methodology used in this rating is the Rating Methodology for [General Corporate \(April 2019\)](#).



Regulatory Disclosures

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