Credit Opinion

28 August 2026

Ratings	
Category	Financial Institution
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	A_g-
Outlook	Stable

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China Kangfu International Leasing Co., Ltd.

Surveillance credit rating report

CCXAP affirms China Kangfu International Leasing Co., Ltd.'s long-term credit rating at A_g-, with stable outlook.

Summary

The A_g- long-term credit rating of China Kangfu International Leasing Co., Ltd. ("Kangfu Leasing" or the "Company") is underpinned by the Company's (1) good business synergy with shareholders, supporting its business growth; (2) proven risk management and control with a relatively low risk appetite; and (3) diversified funding channels and good financial flexibility.

However, the rating is constrained by (1) challenging operating environment from tightened regulations and economic slowdowns; (2) the Company's asset concentration in the new energy industry; and (3) increasing exposure to clean energy investment which may challenge its management capacity and heighten its debt leverage.

The rating also reflects the likelihood of support from its two key shareholders, namely, State Power Investment Corporation Limited ("SPIC") and Sany Group Co., Ltd., ("Sany Group"), which is based on the Company's (1) strategic position as one of the key financial leasing platforms for SPIC and Sany Group; (2) track record of receiving operational and financial support from key shareholders; (3) certain reputation risk to its shareholders.

The stable outlook on Kangfu Leasing's rating reflects our expectation that the Company will maintain its stable business position and financial metrics over the next 12 to 18 months, and the support from its key shareholders is unlikely to change during the period.

Rating Drivers

- Good business synergy with shareholders, supporting its business growth
- Challenging operating environment from tightened regulations and economic slowdowns
- Proven risk management and control with a relatively low risk appetite
- Diversified funding channels and good financial flexibility
- High asset concentration in clean energy sector
- Increasing exposure to clean energy investment
- Likelihood of support from the key shareholders

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if the Company (1) obtains stronger support from its shareholders; (2) improves its regional and industrial diversifications as well as its asset quality; or (3) has a stronger capital position and profitability.

What could downgrade the rating?

The rating could be downgraded if (1) key shareholders' willingness and capacity to provide support decreases; or (2) the Company's asset quality materially deteriorates, such as surging problem assets and impairment losses, capital position weakens significantly because of aggressive asset expansion, profitability declines obviously, or asset-liability management and liquidity position weaken severely.

Key Indicators

	2023FY	2024FY	2025FY	2026Q1
Total Assets (RMB billion)	39.6	41.7	36.1	35.8
Total Equity (RMB billion)	6.3	6.9	7.1	6.4
Total Revenue (RMB billion)	2.2	2.5	2.7	0.5
Net Profit (RMB million)	391.0	338.4	228.9	3.1
Pre-Tax Net Income/Average Assets (%)	1.3	1.0	0.8	-
Return on Average Equity (%)	6.9	5.1	3.3	-
Realizable Assets/Short-Term Debt (%)	28.7	48.9	43.7	56.3
Asset Impairment/Tangible Assets (%)	0.3	0.2	0.2	-
Problem Loans/Net Loans (%)	1.4	1.3	1.4	1.4

All ratios and figures are calculated using CCXAP's adjustments. Indicators marked with "-" are not applicable or not comparable.

Source: Company data, CCXAP research

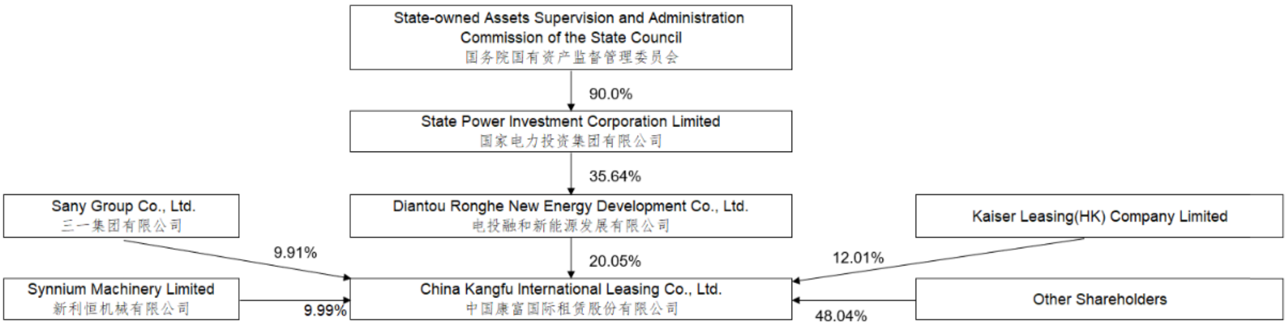
Corporate Profile

Founded in 1988 and registered in Beijing, Kangfu Leasing is a leasing company that provides financial services to different customers, covering direct lease as well as sale and lease back. Since 2021, the Company has promoted a transformation strategy, namely, the "finance + industry" model by integrating the clean energy investment business and financial leasing business. The Company was listed on the National Equities Exchange and Quotations in September 2015. As of 31 March 2026, the Company reported total assets of RMB35.8 billion and net assets of RMB6.4 billion.

Diantou Ronghe New Energy Development Co., Ltd. ("Diantou Ronghe") is the largest shareholder of Kangfu Leasing, holding 20.05% shares of Kangfu Leasing. Diantou Ronghe is an associate of SPIC that specializing in new energy investment and financing services sector. SPIC held 35.64% of Diantou Ronghe's shares as of 31 March 2026.

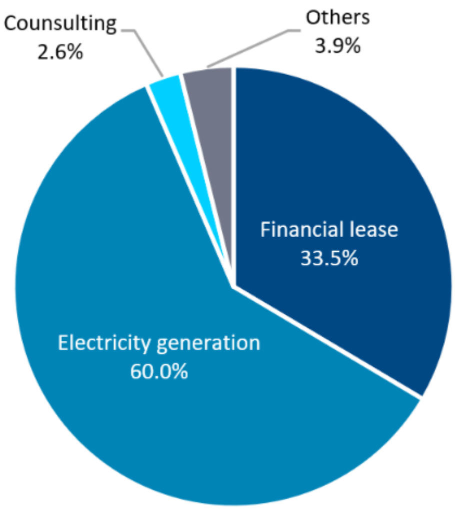
In July 2020, Diantou Ronghe dissolved the agreement on concerted actions signed with other shareholders in order to meet the new requirements from the local regulator. After that, Kangfu Leasing has no controlling shareholder and ultimate actual controller. Nevertheless, we see that there is no substantial change in its strategic status towards its shareholders as Kangfu Leasing remains a member of SPIC and is under SPIC's management and supervision.

Exhibit 1. Shareholder chart as of 31 March 2026



Source: Company information, CCXAP research

Exhibit 2. Revenue structure in 2025



Source: Company information, CCXAP research

Rating Considerations

Challenging operating environment from tightened regulations and economic slowdowns

Financial leasing is another financing solution besides obtaining loans from lending institutions. Over the past years, Chinese leasing companies have offered corporate customers more flexible and cost-effective financing solutions, particularly for small and medium-sized enterprises ("SMEs") with limited access to traditional lending institutions. The sector is now under a stricter regulatory environment as the China Banking and Insurance

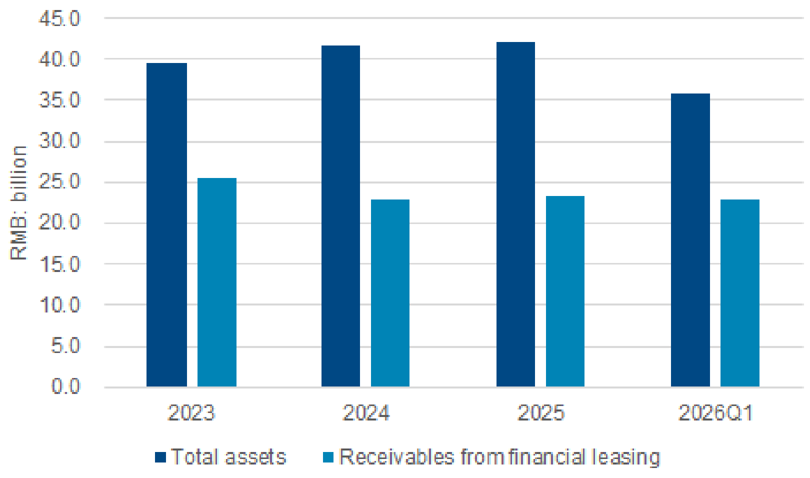
Regulatory Commission ("CBIRC") has become the regulator for all Chinese finance leasing companies since April 2018, which was previously regulated by the Ministry of Commerce. The CBIRC issued various regulation policies, such as the "*Interim Measures for the Supervision and Administration of Financial Leasing Companies*" (融资租赁公司监督管理暂行方法) in June 2020 and *"Regulations on off-site Supervision of Financial Leasing Companies"* (融资租赁公司非现场监管规程) in February 2022. The National Financial Regulatory Administration ("NFRA") also issued a regulation policy in September 2024, namely *"Measures for the Administration of Financial Leasing Companies"* (金融租赁公司管理办法). In December 2025, NFRA further issued a regulation policy, namely *"Measures for the Administration of Financial Leasing Businesses of Financial Leasing Companies"* (金融租赁公司融资租赁业务管理办法). In addition, several provincial-level cities have successively introduced regulatory implementation rules for financing leasing companies.

The business development of Kangfu Leasing is also closely related to China's economic changes and the development of the leasing industry. As a stricter regulatory environment combined with sluggish internal momentum, the growth rate of the number of leasing companies and contract balances has shown negative growth in recent years. As of 30 June 2025, there were around 7,020 financial leasing companies in China, a decrease of 331 from 7,351 as of the end of 2024. The outstanding financial leasing contracts in China decreased by 0.7% to RMB5.4 trillion compared to that at end-2024. The decelerating market growth will also intensify market competition and weaken the pricing margins of leasing companies, thereby restricting Kangfu Leasing's business expansion. We believe that the tightening regulations will improve the regulatory framework for the industry, strengthen the supervision of leasing companies, and reduce the chance of market crunches in the long run. The regulatory change also requires a higher standard of management and internal control for financial leasing companies and increases their management pressure. The ascending rivalry in the financial leasing market is still expected to challenge small-to-medium-sized lessors, including Kangfu Leasing.

Good business synergy with shareholders, supporting its business growth

Kangfu Leasing has formed a proven financial leasing business development underpinned by its good business synergy with shareholders and strong market development capability. Kangfu Leasing's shareholders, including SPIC and Sany Group, are one of the market leaders in their specific sector in China. The Company has developed a strong customer base from both the upstream and downstream sides of its shareholders and shareholders' referrals, enabling it to maintain a stable business portfolio scale even in an unfavorable market environment. Kangfu Leasing's shareholder background also supported it to implement its "finance + industry" transformative strategy in 2021. In order to diversify its revenue structure and sustain growth, the Company has increased its business cooperation with its shareholders and stepped into clean energy investments. In 2025, the Company has slowed down its pace in leasing business, with new investments concentrated in clean energy and high-end equipment sectors that are closely related to its shareholders' industrial background. From 2023 to 2025, the Company's annual new financial leasing assets decreased by 5.1% from RMB6.4 billion to RMB6.0 billion. Among the new investments, the share of clean energy increased from 58.8% in 2023 to 89.4% in 2025, while the share of high-end equipment dropped slightly from 16.8% to 10.6%. Over the same period, the Company's receivables from financial leasing dropped from RMB25.5 billion to RMB23.2 billion, representing a decrease of 8.7%. In December 2025, the Company disposed 100% equity interests in two wind power station subsidiaries, resulting in a decline in its total assets by 13.4% to RMB36.1 billion as of end-2025. Although the Company's assets scale contracted following the disposal, income generated from its clean energy business maintained steady growth, reflecting sustained progress in its "finance + industry" strategic transformation.

Exhibit 3. Kangfu Leasing's total assets and net-interest earning assets



Source: Company information, CCXAP research

Under the guidance of carbon peaking and carbon neutrality goals, China is accelerating the development of a clean and low-carbon energy system, which involves actively promoting clean energy and the construction of green power system. By the end of 2025, China's new energy power installed capacity, including wind, solar and water power, reached 2.3 billion kilowatts ("kW"), accounting for 58.9% of total installed power capacity, highlighting the remarkable achievements in the green power transformation. Amidst national energy upgrading background, leveraging the resources of its shareholder SPIC, Kangfu Leasing's new energy investment and operation business has rapidly expanded since 2023, diversifying its revenue structure. However, affected by the market-oriented reform policy of on-grid tariffs in new energy industry, the Company's new energy power generation prices may experience some fluctuations.

Kangfu Leasing has established a subsidiary, namely Shanghai Fuhong New Energy Technology Co., Ltd. ("Fuhong"), to operate and manage new energy investment projects. At the initial development stage, the Company acquired clean energy investment projects through merging and acquisition, mainly from SPIC, SPIC's affiliates or existing financial leasing clients. The Company also builds its own new energy projects through cooperation with SPIC's affiliated power generation or engineering construction companies. As of the end of 2025, the Company had installed solar and wind capacity of 1.8 million kW and 1.2 million kW, respectively. Most of these power plants are entrusted to SPIC's operating affiliates or local professional generation companies for operation and maintenance. The new energy electricity generation business has enhanced the Company's revenue diversification and provides a new growth driver. In 2025, income from electricity generation increased by 24.3% to RMB1.6 billion, which accounted for 60.0% of total revenue. However, Kangfu Leasing's new energy investments are unseasoned with short operating history and the risk control practices will remain to be tested.

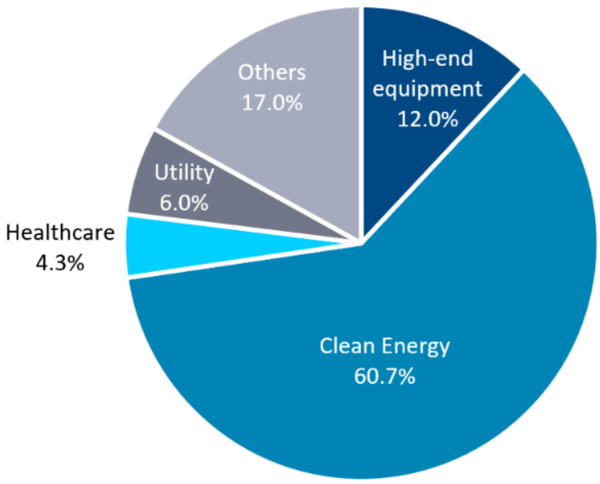
Proven risk management and control with a relatively low risk appetite

Kangfu Leasing's asset quality is relatively stable with its prudent client selection and focused industry experience. Meanwhile, Sany Group has committed to providing guarantees and advancing overdue funds for some internal businesses, further mitigating the risks of the Company's financial leasing business. Affected by the economic environment and national policies, its nonperforming asset ratio for its financial leasing business slightly increased from 1.3% at end-2024 to 1.4% at the end of March 2026. Its special mention asset ratio was 2.4% as of 31 March 2026, remained at a manageable level. The nonperforming assets are mostly generated from a few lessees in sectors such as clean energy and chemicals. The Company has taken measures such as collection, litigation and disposal of collaterals to recover the loss on lease receivables. The Company has also reduced the exposure to non-shareholder business to lower its credit risk. Driven by the structural optimization of its financial leasing business and the rising share of shareholder business, the Company’s credit impairment losses decreased continuously by 25.3% to RMB53.5 million in 2025. In addition, Kangfu Leasing has sufficient provisions coverage of RMB541.8 million as of 31 March 2026, which is able to fully cover its nonperforming assets.

High asset concentration in the clean energy sector

Kangfu Leasing has large and concentrated exposures to the clean energy sector. The clean energy sector represented over 60% of its outstanding financial lease assets as of 31 March 2026. Together with the large capital expenditure in clean energy investment through Fuhong, it exposed Kangfu Leasing to higher asset concentration risk. There could be a potentially large impact on its overall asset quality metrics in the event of the industry sluggish. In addition, the largest single client in clean energy sector accounted for 24.6% of its net assets and the top 5 clients accounted for 64.2% of its net assets in 2025. The concentration risks are partially mitigated by Kangfu Leasing’s prudent project selection and proven risk management ability. Furthermore, the Company's customer base is broadly distributed across various provinces nationwide, with the top 3 regions concentrated in South China (24.2%), Central China (21.6%), and North China (18.6%) in 2025. Over the past three years, the Company has gradually reduced the asset distribution in regions with relatively weak economic fundamentals, which may mitigate the regional credit risk and concentration exposure.

Exhibit 4. Kangfu Leasing’s financial leasing assets by sectors as of 31 March 2026



Source: Company information, CCXAP research

Moderate profitability due to falling industry spreads and initial stage of clean energy

Kangfu Leasing’s profitability is moderate as the clean energy investment business was at the initial stage while the financial leasing business was shrinking. For the financial leasing business, affected by factors such as intensified industry competition, tightened regulatory policies, and transformation of business strategies, both the scale and yield declined compared to the previous years. In 2025, the income from financial leasing dropped by 8.5% to around RMB903.1 million. The ratio of income from financial leasing/average net financial leasing receivables decreased to 4.4% at end-2025.

The expansion of the new energy business drove the rise in expenditures including interest expenses and operating expenses from investment in new energy projects, which result in a lower pre-provision margin. The

Company implements strict cost control measures, for example, to lower its financing costs by replacing existing high-cost financing. Its average pre-tax net income/average assets and average return on average equity was 0.8% and 3.3% in 2025, declining from 1.0% and 5.1% in 2024, respectively.

The new energy investment business became a driving force for the Company's revenue and profitability. In 2025, the income from electricity generation increased by 24.3% to RMB1.6 billion and accounted for 60.0% of total revenue, becoming the main source of the Company's revenue. However, there are challenges to the Company's operational efficiency as electricity prices of new energy projects become market-oriented. As more new energy projects will be put into operation, the revenue and profitability are expected to improve in the future.

Capital replenishment pressure from new energy investment

Financial leasing is a capital-intensive industry and new energy investment is a heavy asset business, leading Kangfu Leasing to have a higher debt leverage. Its leverage, as measured by total debt to total capital, remained at a high level of 80.7% as of 31 March 2026. Its capital adequacy, as measured by shareholders' equity (excluding perpetual bonds) to total assets, was at a moderate level of 17.9% at the end of March 2026. The Company's equity base is mainly replenished by endogenous profit retention. Following the transfer of the two wind power station subsidiaries, Kangfu Leasing reported a total equity of RMB6.4 billion as of 31 March 2026, decreasing by 7.1% from that as of end-2024. With the further development of the new energy investment business, the Company's leverage level may increase and it may also face certain pressure on capital replenishment.

Diversified funding channels and good financial flexibility

Kangfu Leasing, similar to most leasing companies, relies on confidence-sensitive wholesale funds to finance its operations. The potential for unexpected changes in the availability and cost of market-based funding inherently implies greater operational risks for the Company, as compared to the retail deposit-funded banking institutions. Its realizable assets, such as unrestricted cash, are relatively low compared with its short-term debt. Nevertheless, given its strong shareholder background, the Company has diversified funding channels with good capacity to acquire long-term funding such as bond issuances and long-term bank borrowings. The Company maintains large amounts of credit lines from state-owned commercial banks, large joint-stock commercial banks and policy banks. It also has a low secured debt-to-tangible assets ratio. Diantou Ronghe has a track record of supporting the Company's funding in the form of direct shareholder loans. The Company also has an established presence in onshore debt capital markets. For example, from January to July 2026, the Company completed 4 ABS issuances to raise around RMB10.2 billion, with the coupon rates ranging from 1.99% to 2.30%. It also has a good track record in accessing other financial products such as corporate bonds, MTNs and ABN.

External Support

Likelihood of support from the key shareholders

We expect Kangfu Leasing is likely to obtain support from its key shareholders in times of need. This expectation incorporates our considerations that the Company's (1) strategic position as one of the key financial leasing platforms for SPIC and Sany Group; (2) track record of receiving support from key shareholders in the form of client referral, asset disposal, shareholder loans, and capital financing; (3) certain reputation risk to its shareholders.

SPIC is one of the “big five” central government-owned power producers in China. It was 90% owned by the State-owned Assets Administration and Supervision Commission (“SASAC”) of the State Council of China at the end of March 2026. At the same time, SPIC reported total assets of RMB2,034.8 billion and net assets of RMB633.3 billion. In 2025, SPIC achieved revenue of RMB404.1 billion and net profits of RMB40.3 billion.

Sany Group is one of the world’s top 50 construction machinery manufacturers, the world’s largest concrete machinery manufacturer, and one of the top 500 Chinese enterprises. At the end of March 2026, Sany Group reported total assets of RMB263.2 billion and net assets of RMB112.1 billion. In 2025, Sany Group achieved revenue of RMB113.8 billion and net profits of RMB10.2 billion.

Despite its limited scale, Kangfu Leasing plays an important role in promoting the business development of clean energy for SPIC and construction machinery for Sany Group through the integration of finance and industry. The Company has a proven track record of receiving various support from SPIC and Sany Group. For example, SPIC has a track record of providing direct loans to the Company through Diantou Ronghe. SPIC’s strong capacity to acquire and dispose power plants supports the Company’s disposal of nonperforming assets in the clean energy sector. Sany Group and its related companies provide credit enhancement measures for its leasing business with the Company. We expect that the SPIC and Sany Group have strong capacity and moderate willingness to support the Company in times of need.

ESG Considerations

Kangfu Leasing faces few environmental issues as a financial leasing enterprise. The enterprises in which it invests may operate in industries exposed to certain risks in terms of resource utilization, emissions, and environmental protection policies, but no regulatory penalties have been imposed so far.

As an investment enterprise, Kangfu Leasing is also exposed to certain social risks. The Company has a sound employee incentive mechanism and training system, owns a professional and high-quality operation and management team, and has no safety accidents or labor arbitrations with significant impact.

Kangfu Leasing's governance situations are supported by its established corporate governance structure consisting of shareholders, the board of directors, the board of supervisors and the management team, as well as a relatively sound corporate governance framework. Moreover, it must meet higher requirements for various internal control systems as its business expands.

Rating Methodology

The methodology used in this rating is the Rating Methodology for Finance Companies (April 2019).

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