

Credit Opinion

30 June 2026

Ratings	
Senior Unsecured Debt Rating	A _g -
Long-Term Credit Rating	A _g -
Outlook	Stable
Category	Financial Institution
Domicile	China
Rating Type	Solicited Rating

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Tianfeng Securities Co., Ltd.

Surveillance credit rating report

CCXAP affirms Tianfeng Securities Co., Ltd.'s long-term credit rating at A_g-, with stable outlook.

Summary

The A_g- long-term credit rating of Tianfeng Securities Co., Ltd. ("TFS" or the "Company") is underpinned by (1) well-established operating environment in China, where the capital market is more mature and highly efficient; (2) the Company's established franchise in China's securities market; and (3) increasing business and financial support from TFS's parent and the Hubei Provincial Government.

However, the rating is constrained by the Company's (1) remaining weak profitability under intensified competition in China's securities sector; (2) moderate investment risk from proprietary trading portfolio; (3) a moderately high risk appetite as compared with other peers; and (4) weaker liquidity and funding positions.

The rating also reflects TFS's ownership and control by the Hubei Provincial Government through Hubei Hongtai Group Co., Ltd. ("Hongtai Group"). We expect the Company will receive solid support from the Hubei Provincial Government through Hongtai Group when needed, given its high importance to Hongtai Group and reputational risk to the local government.

The stable outlook on TFS's rating reflects our expectation that the Company will maintain a strong market position in China's securities market. We also expect the support from its parent and the local government is unlikely to change in the next 12 to 18 months.

Rating Drivers

- Established franchise in China's securities market
- Moderate investment risk from proprietary trading portfolio
- Profitability that is subject to market volatility and investment risk
- Weaker liquidity and funding positions
- A moderately high risk appetite as compared with other peers
- Strong government support after shareholder change

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) the willingness and ability of Hongtai Group and the Hubei Provincial Government to support the Company strengthen; (2) the Company's business profile improves and becomes resilient across market cycles with a stronger market position; and (3) the Company's credit metrics improve, such as pre-tax margin and risk to total assets ratio, on a sustained basis.

What could downgrade the rating?

The rating could be downgraded if (1) the willingness and ability of Hongtai Group and the Hubei Provincial Government to support the Company weaken; (2) the macroeconomics or capital market environment deteriorates significantly in China that harms the Company's profitability and asset quality; or (3) financial position weakens such as the increase in leverage or eroded liquidity and funding.

Key Indicators

	2023FY	2024FY	2025FY
Total Assets (RMB billion)	99.5	97.9	92.2
Total Equity (RMB billion)	24.6	24.2	27.9
Total Revenue (RMB billion)	3.4	2.7	2.9
Net Profit (RMB billion)	0.4	0.03	0.2
Pre-tax Margin (%)	9.4	0.2	8.6
Return on Assets (%)	0.5	1.2	0.2
Net Assets/Total Assets (%)	24.7	24.7	30.2
Risk Assets/Total Assets (%)	34.9	36.5	40.9
Liquidity Ratio (%)	165.2	131.7	119.8
Funding Ratio (%)	155.2	132.1	104.4

All ratios and figures are calculated using CCXAP's adjustments.

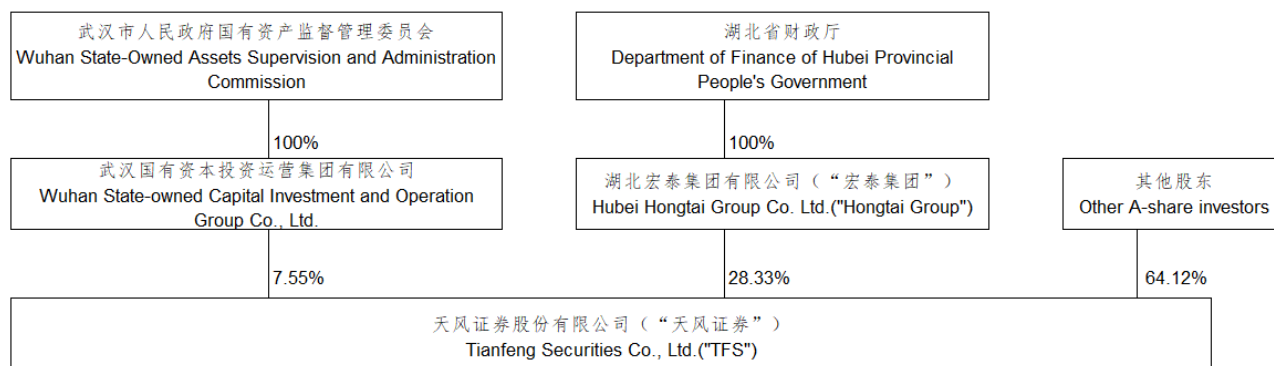
Source: Company data, CCXAP research

Corporate Profile

Founded in March 2000 and headquartered in Wuhan, TFS is a fast-growing medium-sized securities firm in Hubei Province and was listed on the Shanghai Stock Exchange in October 2018 (Stock code: 601162.SH). Its principal businesses include brokerage, investment banking, asset management, research, private equity investment and proprietary trading. TFS aims to provide clients with one-stop financial services through comprehensive business coverage and diversified product offerings. The Hubei Provincial Government is the ultimate owner, holding TFS indirectly through multiple state-owned enterprises, including the Hongtai Group.

In June 2025, the Company completed a private placement of RMB4 billion, which was fully subscribed by its controlling shareholder, Hongtai Group. As of 31 March 2026, Hongtai Group remained the controlling shareholder of TFS by directly holding 28.33% of TFS's shares and together with its party acting in concert, Wuhan State-owned Capital Investment and Operation Group Co., Ltd. ("Wunhan SCIO"), held 35.65% of TFS's shares in aggregate.

Exhibit 1. TFS's shareholding chart as of 31 March 2026



Source: Company information, CCXAP research

Rating Considerations

Mature capital market in China but with intensified competition in securities sector

TFS is domiciled in China and derives most of its revenue from China. The Chinese capital market has sustained robust, high-quality development, solidifying its position as the world's second-largest capital market by outstanding debt securities and equity market capitalization after years of steady expansion. Continuous institutional reforms and improved market infrastructure have further optimized the industry ecosystem, driving comprehensive upgrading and sustainable development of domestic financial intermediaries, especially securities firms.

Chinese regulators adhere to the logic of functional supervision and high-quality market construction, rolling out a series of deepening reform policies to enhance market efficiency, stability and service capabilities for the real economy. In 2025-2026, the capital market reform system centered on the new "National Nine Articles" has been fully implemented, forming a complete "1+N" policy framework for the securities industry. The China Securities Regulatory Commission ("CSRC") launched the STAR Market's "1+6" reform package and optimized the third listing standard for the ChiNext Board, further lowering inclusive financing thresholds for technological and innovative enterprises and injecting sustained momentum into securities firms' investment banking business.

Meanwhile, regulators have intensified efforts to guide long-term capital inflows into the equity market, with social security funds, commercial insurance funds, pension funds and other institutional funds steadily increasing their market participation. The systematic implementation of long-term capital entry policies has effectively stabilized market volatility, consolidated the fundamental upward trend of the capital market, and created a sound policy environment for securities institutions' asset management and institutional service businesses.

Nevertheless, the Chinese securities sector is facing a profound transformation of competition patterns amid industry upgrading. The traditional homogenized brokerage business remains oversupplied, and intensified

market competition has kept brokerage commission rates at a low and declining level. As traditional brokerage commissions still constitute a basic revenue source for most domestic securities firms, sustained price competition continues to compress gross profit margins of core traditional businesses, bringing persistent pressure on profitability optimization.

Against the backdrop of industry reshuffling, industry consolidation has accelerated notably since 2025. Leading securities firms have launched cross-institutional merger and acquisition integration, further raising industry concentration. Small and medium-sized institutions are facing intensified survival pressure due to limited capital strength and single business structure, making differentiated transformation imperative. At the same time, the industry's profit structure is undergoing profound changes: relying solely on traditional brokerage and proprietary trading can no longer support growth, and the industry is comprehensively shifting toward wealth management, institutional comprehensive services, investment banking and derivative businesses.

Established franchise in China's securities market

TFS maintains a well-established franchise in China's securities market with a diversified product portfolio spanning securities brokerage, investment banking, proprietary trading (self-operated investments), asset management, private equity, and overseas operations. The firm operates as a national securities company through an extensive network of branches, securities outlets, and wholly owned or controlled subsidiaries across China. In addition, international business development, geographic reach, and integrated business model generate meaningful synergies and reinforce the Tianfeng brand.

As the key capital market service provider in Hubei, TFS has strong access to various business opportunities arising from the economic growth of Hubei Province and its surrounding areas. We also expect that such an advantage will be enhanced after Hongtai Group becomes the controlling shareholder of the Company. TFS will be able to enjoy the extensive network of Hongtai Group and leverage resources among the group, which is believed to strengthen the Company's market position in the near future.

From the perspective of the Company's segment distribution, securities brokerage, investment banking, asset management, and proprietary trading contributed most of its total revenue. TFS has continued its multi-year transformation from traditional channel-based brokerage toward integrated wealth management and customized financial services. Its assets under custody reached RMB225.1 billion at end-2025, representing a YoY growth rate 17.0%, while total client numbers grew by 3.5% to 1.91 million. Innovative credit products, such as margin financing, stock pledged repo, agreed repurchase, continue to supplement traditional commission income and support client retention. TFS maintains prudent risk controls in these areas amid a generally supportive regulatory environment.

TFS's proprietary trading is another major source of revenue, which is primarily derived from gains or losses from changes in the fair value of equity securities, fixed-income securities, and financial derivatives. The Company's investment portfolio remained stable in 2025, with total investment amount of RMB43.5 billion, which is primarily dominated by debt instruments. Moreover, the Company has a higher proportion of investments in illiquid assets such as trusts and asset management plans, which pose greater challenges to its risk management.

TFS also provides various investment banking services, such as IPO service, debt and equity financing, and corporate advisory to its clients. TFS has maintained a relatively competitive market position in both equity and debt capital markets. In 2025, the Company completed 2 IPOs, 1 major asset restructuring, and 6 National Equities Exchange and Quotations("NEEQ") projects. It also maintained competitive bond underwriting rankings

(10th in enterprise bonds, 14th in corporate bonds). In addition, the Company's oversea subsidiary, TF International Securities Group Limited, participated in 3 HKEX main-boards IPOs and underwrote 188 offshore bonds. Moreover, the Company's diversified and innovative asset management product portfolios consist of equity, notes, funds, currencies, quantitative strategies, and non-standardized products.

TFS also engages in the asset management business, primarily in collective asset management, single asset management, and special asset management. In recent years, the scale of the asset management business has declined. As of the end of 2025, the total assets under management (on a single-entity basis, excluding products in liquidation, the same below) decreased by 4.5% YoY to RMB107.9 billion. In 2025, the combined scale of collective and single asset management plans decreased by more than 20%, while the scale of special asset management plans increased by 7.5% YoY, mainly asset-backed special plans.

Profitability that is subject to market volatility and investment risk

TFS's earnings are inherently exposed to China's capital market cycles, primarily through its proprietary trading activities. While the Company delivered a clear improvement in 2025, returning to profitable with modest revenue growth, the results remain volatile, driven by market movements, valuation changes, and the timing of investment decisions.

The Company demonstrated resilience in 2025. Its total revenue rose 5.7% YoY to RMB2.9 billion, and net profit attributable to parent shareholders turned positive at RMB155.8 million, compared with a loss of RMB29.7 million in 2024. This recovery occurred even though fair value gains from proprietary positions fell sharply by around 85% to RMB187 million, reflecting ongoing market volatility and the challenges of market timing. The decline in fair value gains was partly offset by a 34.7% increase in investment income to RMB1.48 billion, together with stronger contributions from brokerage and a recovery in investment banking deal flow.

The Company's financial performance is to a certain extent correlated with the change in China's capital market due to its exposure to proprietary trading business. The Company's proprietary trading revenue fluctuated greatly in recent years. Proprietary trading continues to be the largest source of earnings volatility. The combination of investment income and fair value changes remained sensitive to equity prices, interest rates, credit spreads, and the Company's positioning. Despite a more diversified multi-strategy framework (fixed income, equities, derivatives) and enhanced research integration, 2025 still demonstrated material swings. The Company's proprietary book stays sizable, with trade financial assets amounted to RMB35.0 billion at end-2025, and exposure to illiquid or structured assets requires ongoing careful risk management. In addition, the gains from associates or joint ventures remained a smaller, relatively stable contributor.

In the first quarter of 2026, the Company's performance fluctuated dramatically, achieving total revenue of RMB436.9 million with a YoY decrease rate of 31.1%; net profit attributable to the parent company was only RMB0.2 million. The main reasons for the sharp decline in performance were significant decrease in investment income and losses from changes in fair value. Investment income in the first quarter was only RMB71.3 million, compared to RMB442.4 million in the same period last year, a YoY decrease of 83.9%. This reflects that the Company's profitability still heavily relies on proprietary investment business, the profitability of its core business has not yet fully recovered, and its performance stability is weak.

A moderately high risk appetite as compared with other peers

TFS's risk appetite is moderately high as compared with other peers. The Company reported a risk asset to total asset ratio of 40.9% as of 31 December 2025, comparing to that of 36.5% at end-2024. Risk assets are

mainly measured by the financial assets reported as level 2 or level 3 in the hierarchy, whose values are determined based on limited observable inputs or subjective financial models. TFS's investment book contains a proportion of investments in illiquid securities and these investments might entail larger tail risk in extreme market conditions and bring challenges to its risk management ability.

TFS intends to lower its risk appetite and to further enhance its risk management framework. For example, it diminished the exposure to stock-pledged lending during fluctuations in the capital market. As of 31 December 2025, TFS's stock-pledged lending exposure was controlled at a low level of RMB4.9 million, compared to RMB144.0 million at end-2024. It also disposed of some underperforming investments to relieve the position in risky assets.

Weaker liquidity and funding positions

TFS has seen weaker liquidity and funding positions over the last year. The Company reported a liquidity ratio of 119.8% and a funding ratio of 104.4% as of 31 December 2025, decreased from that of 131.7% and 132.1%, respectively, at end-2024. Short-term funding remained a core part of TFS's liability structure, providing flexibility but also introducing refinancing risk. The Company had around RMB14.1 billion outstanding bonds maturing within 2026. Moreover, TFS's refinancing may face volatility when the capital market is under stress. The Company's short-term funding mainly consisted of financial asset repurchases and short-term debts from other financial institutions that are highly market-sensitive. Nevertheless, the large scale of short-term funding can be mitigated by the Company's holding of certain liquid assets. For example, TFS held RMB12.6 billion in unrestricted cash (excluding segregated cash from brokerage clients), or 13.6% of its total assets as of 31 December 2025. In terms of liquidity risk management metrics of China's regulatory, in 2025, the Company's liquidity coverage ratio continued to remain at a relatively moderate level compare to industry average. Moreover, the Company's net stable funding ratio continued to breach the regulatory early warning standard (120%) and to be close to the minimum standard (100%). As of end-2025, TFS's net stable funding ratio was 107.3%.

We expect that the Company's liquidity is supported by its listed status and proven record in the capital markets. In June 2025, TFS issued 1.47 billion of common shares in direct offering, raising RMB4.0 billion for capital replenishment, and the shares were fully subscribed by its controlling shareholder, Hongtai Group. This direct financing increased the Company's paid-in capital to RMB10.1 billion, which will improve TFS liquidity profile and funding ratio in the near-term. In addition, after this stock issuance, TFS became the largest listed financial institution in terms of paid-in capital in Hubei Province. We expect the Company's liquidity will be further improved as Hongtai Group becomes the largest shareholder, which will help TFS to acquire more stable funding sources and access to other financing channels.

External Support

High likelihood of receiving parental and government support when needed

We expect a high level of support for TFS from the Hubei Provincial Government through Hongtai Group when needed. This is based on the high strategic importance of TFS to Hongtai Group and the increasing ties between the two parties. In addition, if Hongtai Group fails to support TFS, it would bring reputational risks to the Hubei Provincial Government.

TFS is the major securities firm under Hongtai Group's development blueprint and has a significant strategic position in regional financial development. Hongtai Group holds a controlling stake in TFS, directly holding 28.33% of TFS's shares and, together with its party acting in concert, Wunhan SCIO, holding 35.65% of TFS's shares in aggregate, while the stakes from other single shareholders all below 5%. We expect that Hongtai Group will

increase its influence over TFS's business development and operations through its control of the board of directors.

Hongtai Group is the only financial holding company that is directly and wholly owned by the Hubei Provincial Government. It has a high strategic position in the implementation of government plans, with aims to serve the real economy, prevent financial risks, and deepen financial reforms. Hongtai Group holds and manages key financial assets on behalf of the Hubei Provincial Government, covering financial guarantees, distress asset management, banking, insurance, property exchange, carbon emission registry settlement and equity management. It is one of the key shareholders of local financial institutions such as Hubei Bank Co., Ltd. Over the years, the Hubei Provincial Government has provided strong support to the Hongtai Group in terms of asset injections, capital injections, and equity transfers. As of 31 December 2025, Hongtai Group reported total assets and net assets of RMB232.8 billion and RMB89.4 billion.

As of end-2025, TFS borrowed RMB4.0 billion in subordinated debt and RMB1.0 billion in long-term debt capital from Hongtai Group with the tenor of 5 years. To help TFS maintain stable net capital and improve business quality, in December 2025, Hongtai Group agreed to extend the debt term by one year and reduce the annualized interest rate for the extended period from 5% to 4%.

ESG Considerations

TFS faces environmental risks primarily through its investment banking, asset management, and proprietary trading activities, where portfolio exposure to carbon-intensive sectors could lead to transition risks amid China's "dual carbon" goals. Such risks are moderated by the Company's green finance initiatives, including underwriting of green bonds, development of ESG-themed products, low-carbon operational measures (e.g., energy efficiency and emissions tracking for Scope 1 and 2), and a dedicated "Carbon Peak and Carbon Neutrality Action Plan."

TFS supports social objectives through rural revitalization efforts (such as targeted financing and bond underwriting for agriculture-related projects), investor education and protection programs, inclusive finance products, and strong employee development initiatives. As a financial services provider, the Company is exposed to social risks related to client suitability, data privacy, and demographic shifts influencing retail and institutional demand, but these are addressed via comprehensive compliance and community engagement in Hubei Province and beyond.

TFS's governance considerations are material given its listed status, state-linked ownership, and regulatory oversight by CSRC and Shanghai Stock Exchange. The Company integrates ESG through a Board-level Development Strategy and ESG Committee, robust compliance and risk management frameworks (including anti-corruption and AML systems), and adherence to double materiality assessments and sustainability reporting standards.

Structural Consideration

TFS's senior unsecured debt rating is equivalent to its long-term credit rating. We believe that the parental and government support will flow through the Company given its high importance to Hongtai Group and reputational risk to the local government, thereby mitigating any differences in an expected loss that could result from structural subordination.

Rating Methodology

The methodology used in this rating is the rating methodology for [Securities Industry \(August 2017\)](#).

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