

## Credit Opinion

17 July 2025

Ratings	
Category	Financial Institution
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	A <sub>g</sub> -
Outlook	Stable

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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<sub>g</sub>-, with stable outlook.

#### Summary

The A<sub>g</sub>- 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) remained weak profitability under intensified competition in financial sector; (2) moderate investment risk from proprietary trading portfolio; (3) 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. In June 2025, Hongtai Group completed a private share subscription of approximately RMB4.0 billion on TFS. Hongtai Group remains the controlling shareholder of TFS, with a direct holding of 28.14% and holding 35.65% of stakes together with its party acting in concert in aggregate.

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 it to receive more support from its parent and the government 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
- 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

	2022FY	2023FY	2024FY
Total Assets (RMB billion)	98.2	99.5	97.9
Total Equity (RMB billion)	23.8	24.6	24.2
Total Revenue (RMB billion)	1.7	3.4	2.7
Net Profit (RMB billion)	(1.5)	0.4	0.03
Pre-tax Margin (%)	(109.0)	9.4	0.2
Return on Assets (%)	(1.7)	0.5	1.2
Net Assets/Total Assets (%)	24.2	24.7	24.7
Risk Assets/Total Assets (%)	33.2	34.9	36.5
Liquidity Ratio (%)	150.5	165.2	131.7
Funding Ratio (%)	134.0	155.2	132.1

All ratios and figures are calculated using CCXAP's adjustments.  
Source: Company data, CCXAP research

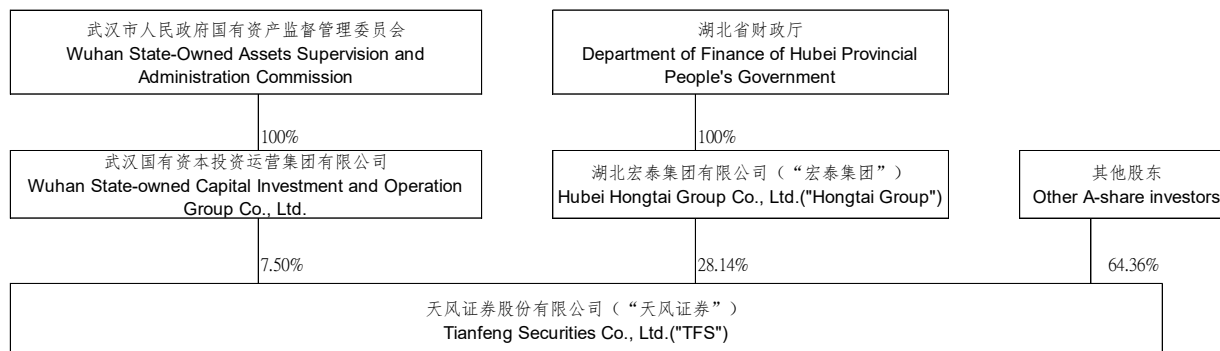
## Corporate Profile

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.

In February 2023, Hongtai Group received 5.99% of the shares of TFS from Hubei United Development

Investment Group Co., Ltd. and became the controlling shareholder of TFS. The Hubei Provincial Government is the ultimate owner, holding TFS indirectly through multiple state-owned enterprises, including the Hongtai Group. Moreover, the Company had issued an additional 1.47 billion of common shares in June 2025, which were fully subscribed by the Hongtai Group, and thereby further enhancing the control of Hongtai Group over the Company. As of 30 June 2025, Hongtai Group remained the controlling shareholder of TFS by directly holding 28.14% of TFS's shares and together with its party acting in concert, Wuhan State-owned Capital Investment and Operation Group Co., Ltd., held 35.65% of TFS's shares in aggregate.

### Exhibit 1. TFS's shareholding chart as of 19 June 2025



Source: Company information, CCXAP research

## Rating Considerations

### Mature capital market in China but competition intensifies in the securities sector

TFS is domiciled in China and derives most of its revenue from China. The Chinese capital market has experienced rapid growth over the past decade. It has become the second-largest capital market in the world in terms of outstanding debt securities and equity market capitalization, which has promoted the sustainable development of China's financial intermediaries, especially securities firms.

Chinese regulators play an active role in the capital market and have adopted a series of measures to improve the efficiency and stability of the market. For example, in September 2021, the Beijing Stock Exchange was introduced to list innovative companies and boost the development of strategic emerging and high-tech industries. In December 2021, the Chinese government announced at the Central Economic Work Conference that the stock issuance registration system will be fully implemented on the main board, following its implementation in the Science and Technology Innovation Board and Growth Enterprise Market. This policy marks lowering the threshold for company listing and increasing the initial public offering (IPO) business of securities companies. In September 2024, the SFC issued the Opinions on Deepening the Reform of Listed Companies' Mergers and Acquisitions and Restructuring Markets, which proposes to increase support for industrial consolidation. Moreover, regulators have repeatedly proposed to guide long-term funds into the Chinese equity market, including institutions such as social welfare funds and commercial insurance funds, which may consolidate the upward trend of the capital market rally. We expect that as the reform of the Chinese capital market continues, more policies will be introduced to provide a better operating environment for securities firms.

However, due to the intensified competition in traditional brokerage businesses in recent years, the brokerage commission rate of traditional brokerage business has shown a rapid downward trend. Since brokerage commissions are still the main source of revenue for traditional securities firms, the intensified competition in the securities industry has led to continued strain on the margin of the Company's core business. In addition, ongoing geopolitical tensions and trade disputes have created a great deal of uncertainties in the capital market. Therefore, we do not expect market conditions to recover significantly in the near term, which may pose higher operational risks for traditional securities firms.

### **Established franchise in China's securities market**

TFS is a securities firm with a well-established product portfolio covering securities brokerage, investment banking, asset management, securities trading, and private equity. The Company has also expanded its geographic footprint and become a national securities firm by holding branches, securities outlets, and a number of wholly-owned or controlled subsidiaries across China. Diversified service and product offerings enable it to achieve synergies across different business lines and encourage it to develop the Tianfeng Brand. The Company has grown rapidly over the past few years. Its total assets increased from RMB59.9 billion at end-2019 to RMB97.9 billion at end-2024, while its net assets increased from RMB17.5 billion to RMB24.2 billion.

As the key capital market service provider in Hubei, TFS has good access to different business opportunities brought by the economic growth of Hubei Province and its surrounding areas. We also expect that such 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 altered its brokerage business strategy from traditional brokerage service to integrated financial services over the past few years. The Company shifted its business model from providing channel services and charging commission fees to providing customized services and tailor-made wealth management products. Although the number of clients in the brokerage business grew steadily, the assets under custody and revenue of the brokerage business declined due to the market downturn. As of 31 December 2024, the Company's assets under custody added up to RMB190.5 billion, and the total number of customers was above 1.8 million. In 2024, the Company's commission rate for its brokerage business was 0.27%, a decrease of 0.01%, but still above the industry average. TFS does not want to get involved in a price war, but rather aims to increase revenue from its brokerage business by improving the quality of its services. The Company continues to promote the transformation from the traditional brokerage business to an innovative business, providing various customer-oriented products such as margin financing, stock options, online trading, stock pledged repo transactions, and agreed repurchase type securities trading. These innovative businesses may provide additional income stream for TFS's brokerage services. However, the Company's securities margin trading business had 2 uncollected overdue claims, with an aggregate amount of RMB89.0 million. Meanwhile, the Company had 1 stock pledge program that is involved in litigation and is now in the execution phase. These outstanding claims may expose TFS to the risk of potential loss in the future.

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 2024, with total investment amount of RMB456.1 million, 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 2024, the Company completed 1 IPO and 1 refinancing project, raising RMB462.0 million for its customers. Meanwhile, the Company led underwriting of 269 bonds, completing a total of RMB85.1 billion in financing. Moreover, the Company's diversified and innovative asset management product portfolios consist of equity, notes, funds, currencies, quantitative strategies, and non-standardized products. As of 31 December 2024, the Company had RMB113.0 billion of asset under management, of which RMB48.8 billion were under active management.

### **Profitability that is subject to market volatility and investment risk**

TFS is a fast-growing securities firm with an increasing scale of business over the past years. The Company recorded RMB2.7 billion of total revenue in 2024, representing a 20.6% YoY decrease. The main reason for the poor revenue performance was the sharp decline in revenue from the Company's proprietary trading business due to the sluggish environment in China's capital markets. In addition, the curtailment of IPOs has also shrunk the Company's investment banking revenue. Given the current relatively undervalued position of China's capital market and the expected relaxation of IPO policies, these constraints on the Company's revenue may be alleviated in 2025.

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. With high market fluctuations combined with the misjudge in the timing of strategy, the Company's revenue from the proprietary trading business dropped considerably by more than 30% YoY in 2024 to RMB1.9 billion. In addition, its investments in associates and joint-venture reported a gain of RMB25.7 million in 2024. In light of the current low valuation situation in China's capital market and the corresponding policy support, the Company's proprietary investment business is expected to see a marginal improvement in 2025.

The opening up of China's securities market may further heighten the competition among Chinese securities sectors and harm the profitability of medium-sized securities firms who are disadvantaged on price competition. Despite the steady rise in the ROA over the last three years, TFS's profitability was relatively weak with high fluctuation in trading businesses. TFS's ROA in 2024 was 1.2%, and it has realized a net profit of RMB312.2 million in 2024, with proprietary trading and investment banking businesses being the major contributors. In the first quarter of 2025, the Company's revenue was increased mainly due to higher investment gain. Furthermore, the Company reported a net gain of RMB242.0 million in 2025 Q1, which is a significant improvement over the same period last year.

### **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 36.5% as of 31 December 2024, comparing to that of 33.2% at end-2022. 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 2024, TFS's stock-pledged lending exposure was controlled at a low level of RMB144.0 million, compared to RMB456.0 million at end-2021. It also disposed of some underperforming investments to relieve the position in risk 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 131.7% and a funding ratio of 132.1% as of 31 December 2024, decreased from that of 165.2% and 155.2%, respectively, at end-2023. The weakening of liquidity was mainly due to an increase of short-term debt burden as the Company has around RMB14.9 billion outstanding bonds maturing within 2025. 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 RMB13.8 billion in unrestricted cash (excluding segregated cash from brokerage clients), or 14.1% of its total assets as of 31 December 2024. In terms of liquidity risk management metrics of China's regulatory, in 2024, the Company's liquidity coverage ratio continued to remain at a relatively moderate level compare to industry average. However, since there was low level of new long-term bond financing, the total amount of debt with a remaining maturity greater than one year has fallen significantly, causing the Company's net stable funding ratio at the end of 2024 to have breached the regulatory early warning standard and to be close to the minimum standard. As of end-2024, TFS's net stable funding ratio was only 103.8%.

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. As of 31 May 2025, the Company has borrowed RMB4.0 billion of subordinated debt and RMB1.0 billion of long-term debt capital from Hongtai Group with the tenor of 5 years.

### **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 has a controlling share in TFS, with 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. According to the announcement of TFS, within 12 months from 11 June 2024, Hongtai Group intends to increase its holdings of

the Company through the open market purchase of not less than RMB 500.0 million and not more than RMB 1.0 billion. To support TFS's development, Hongtai Group lent RMB4.0 billion of subordinated debt to TFS with the tenor of 5 years in 2023. Furthermore, the Company borrowed an additional RMB1.0 billion of long-term debt capital from Hongtai Group in April 2025.

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 2024, Hongtai Group reported total assets and net assets of RMB231.2 billion and RMB89.2 billion.

### Rating Methodology

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

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