

## Credit Opinion

12 August 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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## 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<sub>g</sub>-, with stable outlook.

#### Summary

The A<sub>g</sub>- 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) weakened operating environment from tightening regulations and economic slowdown; (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
- Weakened operating environment from tightening 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

	2022FY	2023FY	2024FY	2025Q1
Total Assets (RMB billion)	33.5	39.6	41.7	42.1
Total Equity (RMB billion)	5.1	6.3	6.9	7.0
Total Revenue (RMB billion)	1.5	2.2	2.5	0.7
Net Profit (RMB billion)	0.4	0.4	0.3	0.1
Pre-Tax Net Income/Average Assets (%)	1.6	1.3	1.0	-
Return on Average Equity (%)	7.3	6.9	5.1	-
Realizable Assets/Short-Term Debt (%)	17.5	28.7	48.9	52.8
Asset Impairment/Tangible Assets (%)	0.4	0.3	0.2	-
Problem Loans/Net Loans (%)	1.4	1.4	1.3	1.3

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

Source: Company data, CCXAP research

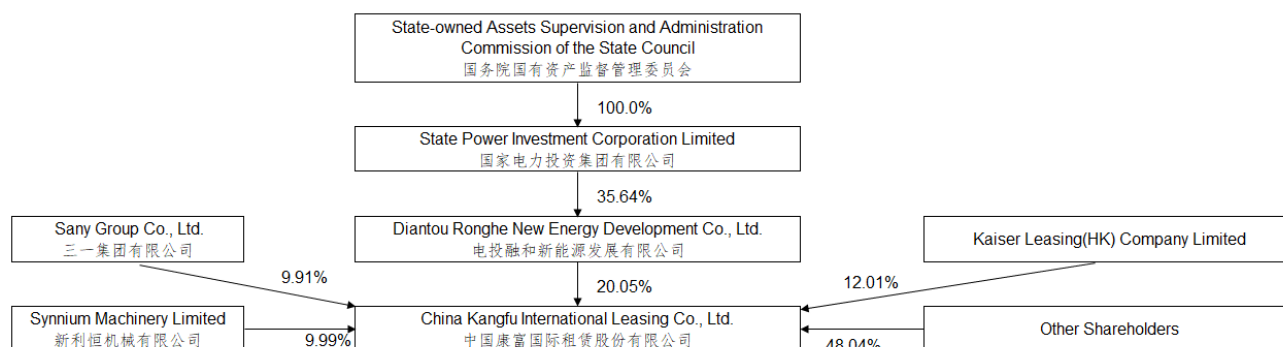
## Corporate Profile

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 2025, the Company reported total assets of RMB42.1 billion and net assets of RMB7.0 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 2025.

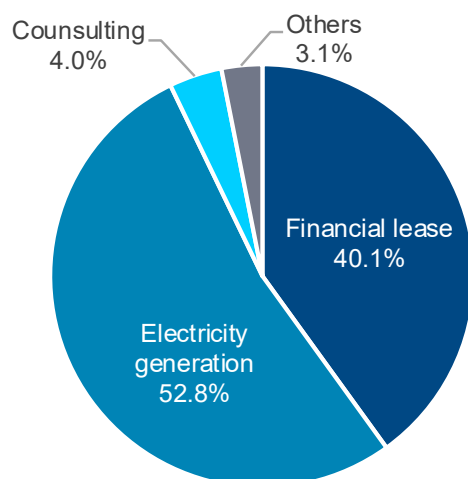
In July 2020, Diantou Ronghe dissolved the agreement on concerted actions signed with other shareholders in order to meet the new requirements from the local regulator. After that, Kangfu Leasing has no controlling shareholder and ultimate actual controller. Nevertheless, we see that there is no substantial 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 2025



Source: Company information, CCXAP research

#### Exhibit 2. Revenue structure in 2024



Source: Company information, CCXAP research

## Rating Considerations

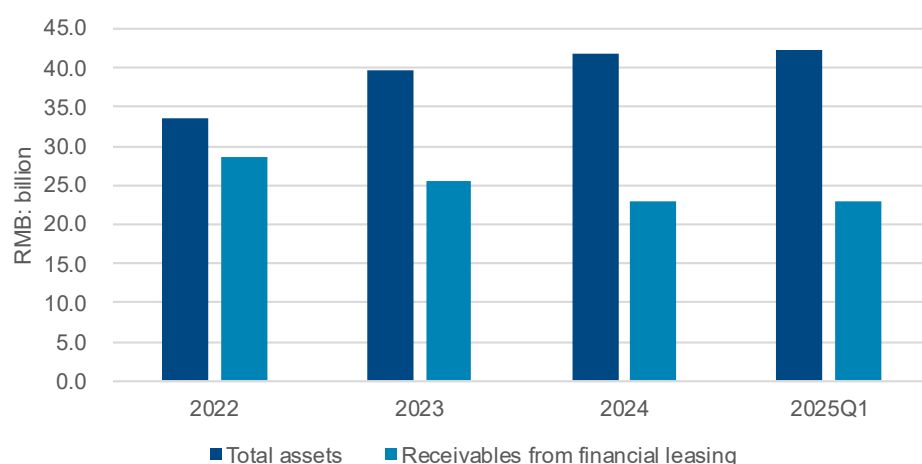
### Weakened operating environment from tightening regulations and economic slowdowns

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 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 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 2024, there were around 8,671 financial leasing companies in China, a decrease of 180 from 8,851 as of the end of 2023. The outstanding financial leasing contracts in China decreased by 0.6% to RMB5.6 trillion compared to that at end-2023. 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 size 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 in clean energy investments. With ongoing business growth, Kangfu Leasing reported total assets of RMB42.1 billion as of 31 March 2025, increasing by 6.5% from that of the end of 2023. Due to the Company’s strategic transformation, both newly signed contracts and outstanding balance of financial leasing business have been declining since 2023. From 2022 to 2024, the Company’s annual new financial leasing assets decreased by 48.9% from RMB12.7 billion to RMB6.2 billion. Over the same period, the Company’s receivables from financial leasing dropped from RMB28.6 billion to RMB23.0 billion, representing a decrease of 19.6%.

**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 clean and low-carbon energy system, which involves actively promoting clean energy and the construction of green power system. By the end of 2024, China's new energy power installed capacity, including wind, solar and water power, reached 1.8 billion kilowatts ("kW"), accounting for 55.0% 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 2024, the Company had installed solar and wind capacity of 1.7 million kW and 0.9 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 2024, income from electricity generation increased by 62.5% to RMB1.3 billion, which accounted for 52.8% 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**

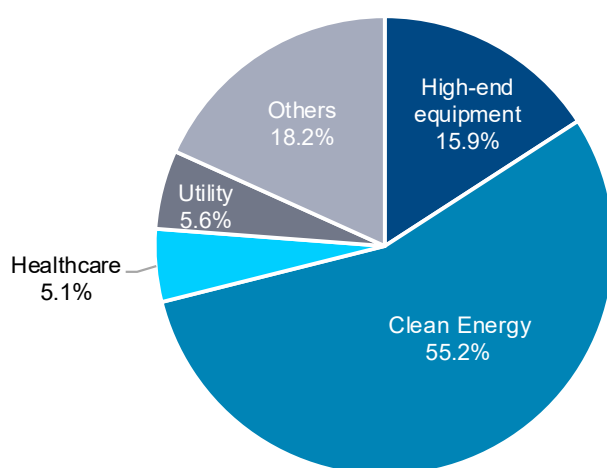
Kangfu Leasing's asset quality is stable with its prudent client selection and focused industry experience. Its nonperforming asset ratio for its financial leasing business slightly decreased from 1.4% at end-2023 to 1.3% at the end of March 2025, supported by its sector shift to clean energy and enhanced risk management. Its special mention asset ratio was 2.5% as of 31 March 2025, 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 also reduces the exposure to non-shareholder business to lower its credit risk. For example, it stopped new financial leasing in the downside sectors and increased the investments in shareholder business in 2021. Kangfu Leasing has sufficient provisions coverage of RMB444.0 million as of 31 March 2025, 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 50% of its outstanding financial lease assets as of 31 March 2025. 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 25.4% of its net assets and the top 5 clients accounted for 62.4% of its net assets, as of the end of 2024. 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 (25.2%), Central China (22.7%), and North China (19.5%). 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 2025



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 2024, the income from financial leasing reduced by 21.7% to around RMB1.0 billion, which remained the main source of the Company's income. The ratio of income from financial leasing/average net financial leasing receivables decreased to 5.3% as at end-2024.

The expansion of the new energy business drove the rise in expenditures including interest expenses and operating expenses from equity acquisition and equipment purchase, 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 1.0% and 5.1% in 2024, declining from 1.3% and 6.9% in 2023, respectively.

The new energy investment business became a driving force for the Company's revenue and profitability. In 2024, the income from electricity generation achieved RMB1.3 billion and accounted for 52.8% of total revenue, increasing from RMB799.8 million and 36.0% in 2023, respectively. However, as more new energy projects will be put into operation, the revenue and profitability are expected to improve. However, there are challenges to the Company's operational efficiency as electricity prices of new energy projects become market-oriented.

### **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, reaching 80.6% at the end of March 2025. Its capital adequacy, as measured by shareholders' equity (excluding perpetual bonds) to total assets, was at a moderate level of 16.6% at the end of March 2025. The Company's equity base is mainly replenished by endogenous profit retention. At the end of March 2025, Kangfu Leasing reported a total equity of RMB7.0 billion, increasing 11.0% from that of 2023. With the further development of the new energy investment business, the Company's leverage level may increase and the Company 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, the Company issued four tranches of 3-year fixed rate MTNs in the first half of 2025 to raise around RMB1.5 billion with the investors' entitlement to sell back at the end of the second year and coupon rates ranging from 2.43% to 2.68%. It also has a good track record in accessing innovative financial products such as ABS 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 2025. At the same time, SPIC reported total assets of RMB1,913.5 billion and net assets of

RMB607.5 billion. For the year 2024, SPIC achieved revenue of RMB395.5 billion and net profits of RMB37.8 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 2025, Sany Group reported total assets of RMB242.6 billion and net assets of RMB93.9 billion. In 2024, Sany Group achieved revenue of RMB102.3 billion and net profits of RMB6.5 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.

## Rating Methodology

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



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