

Monthly Watch of Industrial Markets (September, 2018)

For readers to our *Monthly Watch of Industrial Markets* reports: we release the monthly reports compiled by our analysts, covering 20 industries such as chemicals, pharmaceuticals, banking and insurance etc. The purpose of the reports are to provide our in-depth analyses of the market information to our customers and those who are interested in the bond market in general. At the same time, the information could serve as the investors' reference in making their investment decisions.

Pharmaceuticals

Bond Market

❑ **New Bond Issuance:** 9 new bonds were issued, raising totally RMB 13.15 billion. Issuances were conducted all in way of Public Offerings by 9 issuers. The credit ratings of the bond issuance were all AA+ or above. Compared with last month, the newly issuance volume is 5.2% up.

❑ **Market Fluctuation:** No substantial volatility in the bond market for pharmaceutical industry.

❑ **Debt Maturity:** None.

Industry

❑ **Industrial Data:** price index of vitamins (animal husbandry use) decreased modestly; price index for Chinese Traditional Medicine mildly adjusted downward in Chengdu. The overall market was sluggish.

❑ **Industrial Policy:** *The Blue Paper of Medical Appliances 2018* was released in Beijing.

(Remarks: this policy release signifies the government's highlight on the innovation in medical appliances, which will develop as the new engine driving the future of the industry. Reforms in technology, policy and marketing will bring new opportunities for the industry's future development.)

❑ **Industrial Policy:** CFDA (Center for Drug Evaluation) released *The General*

Requirement on the Trials of Research and Doses of Specimen of Bio-Equivalence on Category 4.5.2 Chemical Generic Medicines (P.O. solid preparation).

(Remarks: Evaluation on uniformity will promote the development of generic medicine. Trend of congregation to the big ones of the industry via integration is inexorable.)

Enterprises

❑ Rating Adjustment: None

❑ Debt Default: None

❑ Asset Reconstruction: Gloria Pharmaceutical planned to sell 100% of the shares of the 3 wholly-owned subsidiary companies, which will constitute important restructuring. Observing that the dealing parties haven't made agreements on core issues such as price, progress of payment, the deal was quitted after the dealers' bona fide discussions.

(Remarks: Important asset restructuring usually goes with uncertainties.)

Retailing

Bond Market

❑ New Bond Issuance: 13 new bonds were issued, raising totally RMB 8.94 billion. Compared with last month, the newly issuance volume decreased mildly.

❑ Market Fluctuation: "16 Guanghai Auto MTN001" dropped by 26.27%

❑ Debt Maturity: None.

Industry

❑ Industrial Data: the social consumption retailing amount was RMB 3154.2 billion, a 0.20 basis points up to 9.0% YoY. CPI increased by 2.5% YoY and by 0.7% MoM.

❑ Industrial Policy: On Sept.20 *Several Opinion on the Improvement of Consumption System and Mechanism to Further Stimulate the Residents' consumptive Potential by the State Council* was released, which highlighted on: 1.consumptions upgrading; 2. supply and demand balance; 3. design of long-term mechanism.

Enterprises

❑ Rating Adjustment: Pengyuan Credit Rating Co., Ltd adjusted downward the corporate credit rating grade of SanPower Group from AA- to A.

(Remarks: Shares of two core publicly-listed subsidiary companies of SanPower have been frozen, in which the Hiteker Co., Ltd is facing issues related to arbitrage,

increasing the capital fluidity risks and attenuating the debt solvency.

❑ **Rating Adjustment:** Lianhe Credit Rating Co., Ltd adjusted downward the corporate credit rate of China Huayang Economic and Trade Group., Ltd from AA to CC, with a negative prospect.

❑ **Debt Default:** “15 Huayang Jingmao MTN001” was supposed to pay the interests. By Sept 30, 2108, the company failed to abide by the contract to transfer the agreed amount of money to Shanghai Clearing House, constituting a de facto default.

❑ **Corporate News:** Wumart Holdings confirmed its bidding to purchase 11.48 million shares of Xinhua Commercial; President and Trustee of Xinhua Commercial Nanjing Branch resigned.

Auto

Bond Market

❑ **New Bond Issuance:** 7 new bonds were issued, raising totally RMB 7 billion.

❑ **Market Fluctuation:** Prices of 3 bonds declined more than 10%, in which price of “17 Suliyingfeng 1A (security code 1789096.IB)Guanghui Auto MTN001” dropped more than 20%.

❑ **Debt Maturity:** 2 bonds in auto industry were matured with a total amount of 1.1 billion, which were all fully honored.

Industry

❑ **Industrial Data:** during the period from January to September, the country’s auto sale had maintained a low growth rate, SUV sales maintained a relatively higher growth rate.

❑ **Industrial Policy:** On Sept.20 *Several Opinion on the Improvement of Consumption System and Mechanism to Further Stimulate the Residents’ consumptive Potential by the State Council* was released; and the Ministry of Industry and Information Technology promulgated policies related to auto and ship tax cut, catalogue of recommended new-energy auto models etc.

(Remarks: Amidst the gradual improvement of the industrial fundamentals, entourage effect from the policy stimulation will regulate the chaotic status quo of the industry, providing guidelines for the new-energy auto industry’s upgrading.)

Enterprises

❑ **Rating Adjustment:** None.

❑ **Debt Default:** None

❑ **Corporate News:** Affiliate of Beijing Auto Group, namely BAIC BJEV, under the formal identity of “BeiQi Langu” was listed in China’s A stock market. This IPO was the first of its kind. However, on the first day of its IPO, the its stock price declined

staggeringly with a closing price of 9.5 Yuan/share, plummeting 36.88%.

(Remarks: IPO of BAIC BJEV expanded its channels of fund raising, improved the firm's governance. But after several rounds of subsidies, future subsidizing magnitude will diminish, subsidizing criteria will be more strict. How to handle the negative effects incurred from the subsidy withdrawal will be critical for the company's future.)

Textiles and Garments

Bond Market

- ❑ **New Bond Issuance:** 2 new bonds were issued, raising totally RMB 1.9 billion.
- ❑ **Market Fluctuation:** price of “14 GuiRenNiao” fluctuated tremendously.
- ❑ **Debt Maturity:** 3 bonds were matured with a total amount of 2.3 billion Yuan, which were all timely honored.

Industry

- ❑ **Industrial Data:** Cotlook A dipped spirally; which eh cotton's Chinese Index 328 went through the process of going upward followed by declining.
- ❑ **Industrial Policy:** releasing of “*target price reform working plan on the Production and Construction Corps 2018*” highlighted the decisive roles of the market in pinning down the price, and further improved the payment mechanism of the subsidy.

(Remarks: the working plan will positively affect the activeness of the cotton planter and enhance quality of cotton production.)

Enterprises

- ❑ **Rating Adjustment:** None.
- ❑ **Debt Default:** None
- ❑ **Corporate News:** 101.695 million shares, including the interests, of *GuiRenNiao* hold by the controlling shareholder *GuirenNiao* Group (Hong Kong) were frozen juristically by XiaMen Intermediate People's Court, effective from Sept 19, 2018 to Sept 18, 2021.

(Remarks: Freezing of the shares doesn't incur substantial impact on the management and production of GuiRenNiao.)

- ❑ **Corporate News:** Jihua Group planned to transfer, through Shanghai Assets and Equity Exchange, 85% shares and an equivalent share of debtor's rights to its fully-owned subsidiary company Yueyang Jihua Real Estate .

(Remarks: The transfer will facilitate the company's optimization in asset allocation and ownership structures of its core entities.)

Transportation

Bond Market

❑ **New Bond Issuance:** 47 new bonds were issued, raising totally RMB 63.47 billion Yuan. Issuances were dominantly conducted in way of Public Offerings, with credit rating grade all above AA+.

❑ **Market Fluctuation:** Price of “18 YingKou Gang” increased more than 15%.

❑ **Debt Maturity:** bonds related to transportation industry were matured with a total amount of 64.7 billion Yuan, dominated by short-term financing bills.

Industry

❑ **Industrial Data:** cargo circulation via road transportation increased continually YoY, so was the railway index; passenger transportation via aviation increased stably, circulation of goods and containers in ports maintained the normal pace growth.

❑ **Industrial Policy:** the Ministry of Transportation promulgated the *Three Year Action Plan*, promoting the concurrent development in the Yangtze River Economic Belt.

(Remarks: the Action Plan pinpointed the primary missions of the large ports of Nanjing, Wuhan and Chongqing etc., interspersing along the artery of the Yangtze River, and stipulated a corresponding timetable. The Action Plan constitutes the foundation for the further construction of the concurrent and ramifying railway-aquatic combining transportation system.)

Enterprises

❑ **Rating Adjustment:** None.

❑ **Debt Default:** Dandong Gang Group held the 3rd shareholder conference related to “13 DanDong Gang MTN1”, “14 DanDong Gang MTN001” and “15 DanDong Gang MTN001”.

(Remarks: bonds issued by Dandong Gang Group have seen multiple de facto defaults, its financing environment was worsening, and future honoring of its debts existed many huge uncertainties.)

❑ **Corporate News:** Guangxi Transportation Investment Group Co., Ltd and Guangxi Railway Investment Group Co., Ltd conducted the strategic restructuring.

(Remarks: the strategic restructuring is quite meaningful to the structural optimization, industrial upgrade, and in-depth reform of the supply-side structuring. Furthermore, the restructuring will have little impacts on the company's financial status, solvency, as well as its daily operation and management.)

Electric Power

Bond Market

- ❑ **New Bond Issuance:** 29 new bonds were issued, raising totally RMB 59.85 billion. Issuances were dominantly conducted in way of Public Offerings, with all entity credit rating grades AA or above.
- ❑ **Market Fluctuation:** None.
- ❑ **Debt Maturity:** bonds related to electric industry, four of them rated by Dagong were matured and duly honored.

Industry

- ❑ **Industrial Data:** during the period from January to August, 2018, electricity consumption by the whole country was 3.892 trillion kWh, 4.2% increase YoY; the average operating duration of the national electricity generating equipments was 2507 hours, 173 hours dip YoY.
- ❑ **Industrial Policy:** Shanxi province adjusted downward the electricity price for the general industrial and commercial uses, regulating and clearing some fee collection policies.

(Remarks: The downward adjustment of electricity price by Shanxi province reflects the overall requirement of the province's effort to deepen the reform of the electric power industry, reveals the concurrent movement mechanism between coal and electricity. Cheaper electricity will benefit the industrial and commercial enterprises by lowering their operating costs, prompting the electricity generating enterprises to lower their costs, increase the productive efficiency, and to become more competitive.)

Enterprises

- ❑ **Rating Adjustment:** None.
- ❑ **Supervising Penalty:** Kaidi Eco received the letter of rectification and reform from the supervising authority of Hubei Security Bureau.

(Remarks: As based the supervising document issued by the security authority on Sept 19, 2108, the company is ordered to rectify issues related to capital embezzlement, and try to recover the capital misused by the big shareholders and their related parties, via litigation if necessary.)

Securities

Bond Market

- ❑ **New Bond Issuance:** 21 new bonds were issued, raising totally RMB 39.2 billion, a 17.3% decline compared with the previous month. Issuances were dominantly

conducted in way of private offerings, with all entity credit rating grades AA or above.

❑ **Market Fluctuation:** None.

❑ **Debt Maturity:** None.

Industry

❑ **Industrial Data:** Entering September, the Shanghai-Shenzhen 300 index has seen tremendous turbulence, average daily transaction in the two markets plummeted by 19.12% compared with August, or alternatively a 44.04% decline YoY. Volume of margin trading shrank relatively; financing via stock market decreased by 54.33% compared to last month, and decreased 51.95% YoY. Financing via bond dipped by 1.06% MoM, and up 4.72% YoY.

❑ **Industrial Policy:** China Security Regulatory Commission formally released *Regulations on the overseas setting-up, purchasing or joint-venturing with institutions by domestic security corporations and security investment fund management corporations.*

(Remarks: the Regulations will promote domestic security companies to explore overseas market, better implementing the propagated strategy of internationalization of domestic enterprises. Also it portrayed a blueprint as to how to regulated overseas institutions.)

Enterprises

❑ **Rating Adjustment:** None.

❑ **Debt Default:** None.

❑ **Corporate News:** Great Wall Securities got the approval for IPO from the authority, hopefully it will become the 34th security enterprises listed in the stock market.

Asset Management

Bond Market

❑ **New Bond Issuance:** 3 new bonds were issued, raising totally RMB 1.81 billion. Issuances were dominantly conducted in way of Private Offering, with credit rating grade all AA+ or above, one of the issuer receiving a rating grade of AAA.

❑ **Market Fluctuation:** None.

❑ **Debt Maturity:** No bonds rated by Dagong were matured this month.

Industry

❑ **Industrial Data:** by end of September, 2018, the Asset Management Association of China had registered 24.3 thousands PE firms, 964 more than previous month. The

recorded PEs number is 74.3 thousands, a 0.49% dip to previous month, the second consecutive month to decline. The managed PE volume was 12.8 trillion Yuan, a 0.04% up to previous month, or alternatively 4 basis points dipping. By end of the second quarter, the volume of the trusted asset was 24.27 trillion Yuan, 5.25% MoM, maintaining negative growth in two consecutive quarters. If categorized by functionalities, the outstanding amount of the trusted assets in financing-oriented, investment-oriented and management-oriented had declined respectively by 1.07%, 7.54% and 5.56% in comparison with the first quarter..

❑ Industrial News: Regulatory ratings on 68 Trust companies were released.

(Remarks: Juxtaposed with industrial ratings organized by the Trust Association, the regulatory ratings led by China Banking and Insurance Regulatory Commission is more strict. However, they differentiate in their rating purposes: regulatory rating is linked with the businesses of the trust companies, compounding with their compliance records, to form the credit rating ranks, which serves to regulating purposes and is only used internally.)

❑ Industrial Policy: China Securities Regulatory Commission promulgated new regulations, exhorting the security and fund companies to “go abroad.”

(Remarks: the new regulation by the authority will prompt domestic security and fund institutions to “go abroad” to explore the overseas market, which may foster the implementation of the national strategy of security internationalization and prove the management of overseas security and fund institutions.)

Enterprises

❑ Rating Adjustment: None.

❑ Debt Default: None.

❑ Corporate News: the Financial Asset Investment Co. of the Agriculture Bank jointly initiated the first State-level Agricultural Cultivation Fund.

(Remarks: this signifies the final realization of the first industrial fund featured with debt to stock transfer via the market, and aimed at serving the “Agriculture, Rural Areas, and Farmers”.)

Insurance

Bond Market

❑ New Bond Issuance: None.

❑ Market Fluctuation: None.

❑ Debt Maturity: None.

Industry

❑ Industrial News: Present insurance market’s solvency is sufficiently stable.

(Remarks: the insurance industry is undergoing active changes, with strong solvency maintaining in an upper and reasonable zone, both strategic risks and reputation risks are presenting healthy trend. Currently external market undulation is casting grave challenges to the industry, prompting the regulatory authorities to prioritize the mission to prevent and resolve significant risks.)

❑ **Industrial News:** 19 insurance companies underwent 21 times' ownership changes in the first three quarters this year.

(Remarks: in the newly added shareholders, social capitals are frequently present. One explanation for this phenomenon is that the bright prospects of the industry has been widely recognized by the external investors, loose investment scope by insurance companies, in particular the life insurance company, has attracted the aggregation of long-term capitals.)

Enterprises

❑ **Corporate News:** PICC (People's Insurance Company of China) got the IPO permit, the A stock market is anticipating its 5th insurance company.

(Remarks: as the only insurance group featuring primary business in property insurance in the domestic market, the Property Insurance Company under PICC was listed in Hong Kong stock market in 2003, and was recognized as the first IPO for big domestic financial state-owned enterprise. The company now has grown to be the largest non-life insurance company in Asia. In 2012, PICC was listed in Hong Kong's H market. The IPO permit it was awarded will make PICC the 5th "A +H" insurance company.)

❑ **Corporate News:** Application to set up equity management company by CITIC Prudential Life was approved.

(Remarks: the purpose of CITIC Prudential Life to set up the equity management company is to satisfy the innate needs of professionalization, standardization and marketization, to realize the value preservation and increase of the fiduciary capitals, and to contribute to the healthy development of the insurance industry. By end of year 2017, there existed 24 institutions conducting the comprehensive equity management. If the setup of CITIC Prudential Life is smooth, it will be the 25th such institution.)

❑ **Corporate News:** Solvency of AEON Life was approaching the redline, with part of its shares being pledged.

(Remarks: proximity to the red line of solvency renders AEON Life to the pressure to replenish. Since part of its shares were pledged, it may incur negative impacts on the company once the pledged shares change (being executed). Related risks are worthwhile to be noticed closely.)

Coal

Bond Market

❑ **New Bond Issuance:** 22 new bonds were issued, raising totally RMB 28.61 billion, a 31.36% decline compared with the previous month. Issuances were dominantly conducted in way of public offerings, with all entity credit rating grades centered on AAA.

❑ **Market Fluctuation:** in the term bonds this month, “13 JingMeiZhai/PR JingMeiZhai” plummeted more than 20%, mainly because Jingmei Group had to honor the annual interests matured and the principal installments.

❑ **Debt Maturity:** 3 bonds in coal industry rated by Dagong were matured and duly honored..

Industry

❑ **Industrial Data:** the price of steam coal of the Bohai Sea Region was 569 Yuan/ton by end of September, only saw minor changes MoM.

(Remarks: the prime time for coal consumption was over, seasonal demand for steam coal reached its nadir.)

❑ **Industrial Data:** National import increased YoY, but decreased MoM.

(Remarks: opening the coal importation becomes an important measure to adjust coal supply and price.)

Enterprises

❑ **Rating Adjustment:** None.

❑ **Debt Default:** Sichuan Coal Industry Group defaulted on “15 ChuanMeiTanPPN002.”

❑ **Corporate News:** the Jingmei Group shareholders’ conference approved the draft of asset transfer, Jizhong Energy finalized the asset transfer affairs of its subsidiary company Zhangjiakou.

Media

Bond Market

❑ **New Bond Issuance:** 4 new bonds were issued, raising totally RMB 2.15 billion, increasing 50 million Yuan YoY. Issuances were all conducted in way of public offerings, with all entity credit rating grades AA+ or above .

❑ **Market Fluctuation:** price of 5 bonds were volatile, with “18 Huawen Media MTN001” being the gravest, declining 80.39%..

❑ **Debt Maturity:** no bonds rated by Dagong were matured in September.

Industry

❑ **Industrial Data:** the national-wise box office was 3.1 billion Yuan, topping

hitherto the worst decline to 120.43% MoM.

❑ **Industrial Policy:** China Film Association announced the *notice on regulations related to film tick refunding and rebooking*.

(Remarks: clarification on issues related to film ticket's refunding and rebooking regulation will regulate the industry's long-term development, which while clarifying consumers' rights in tick purchasing, will also effectively inhibit the market risks of ticket forgery.)

Enterprises

❑ **Rating Adjustment:** on Sept 4, Shanghai Brilliance Credit Rating downgraded the entity grade of Yinji Media from BB to CCC, the bond grade “17 YinjiYuLe MTN001” from BB to CCC, and the bond grade of “17 YinjiYuLe CP001” from B to C. The latter two bonds were also listed in the negative watch list by the rating agency. On Sept 10, Shanghai Brilliance further downgraded the above-mentioned three to C, C and D respectively.

❑ **Debt Default:** “17 YinJiYuLe CP001” had committed de facto default.

❑ **Corporate News:** Huayi Brothers Media Corporation released an announcement , stating that the actual controller of the company is executing normally their duties; and admitted receipt of the regulatory decision letter delivered by the administrative authorities.

Construction

Bond Market

❑ **New Bond Issuance:** 9 new bonds were issued, raising totally RMB 7.9 billion Yuan, increasing 19.7% MoM. Issuances were all conducted in way of public offerings.

❑ **Market Fluctuation:** price of “15 Wuyang 02” declined more than 17%.

❑ **Debt Maturity:** 3 bonds rated by Dagong were matured and duly honored.

Industry

❑ **Industrial Data:** output in construction industry kept the pace of growing, amount in the newly-signed contracts saw growth if measured in MoM. With the release of the state's policy to stabilize economic growth, and the openness of the financing platform for infrastructure, the 3rd quarter could anticipate an overall recovery.

❑ **Industrial Policy:** the Ministry of Finance promulgated *the implementation opinions on regulating PPP between governments and social capitals (draft under feedback collection)*

(Remarks: the promulgation by the ministry may mitigate the long-persistent market worries that PPP investment by the government are implicitly warranted,

galvanizing the PPP's burgeoning development.)

Enterprises

- ❑ **Rating Adjustment:** None.
- ❑ **Corporate News:** Guangxi Construction Industrial Group piled up its new borrowings in 2018 to an extent that exceeded 40% of its net asset calculated at the end of year 2017.
- ❑ **Corporate News:** China Construction Co., Ltd signed multiple contracts with Egyptian New Metropolitan Development Bureau and Oriental Petroleum Company.
(Remarks: Cooperation between China construction sector and African counterparts, amidst the ongoing China-African Forum, will provide guarantee the industry's future business prospects.)

Real Estate

Bond Market

- ❑ **New Bond Issuance:** 42 new bonds were issued, raising totally RMB 35.3 billion, decreasing 33.4% MoM in total issuing volume.
- ❑ **Market Fluctuation:** None.
- ❑ **Debt Maturity:** 9 bonds were matured or principal pre-reimbursed, with a total amount of RMB 4.73 billion Yuan.

Industry

- ❑ **Industrial Data:** house saleable area remained stable, but land supply area declined substantially YoY.
- ❑ **Industrial Policy:** Sichuan Province promulgated *the implementation guidance on the ratio of minimum down payment for commercial individual housing mortgage loans in Sichuan province.*
(Remarks: on the basis of its previously implemented purchase-restriction and loan-restriction in many cities, incremental of the down payment ratio for commercial housing will cool down the overheating real estate market. It is anticipated that the provincial real estate market will present the pattern of shrinking sales associated with stable prices.)

Enterprises

- ❑ **Rating Adjustment:** None.
- ❑ **Corporate Default:** None.
- ❑ **Corporate News:** the mixed ownership reform in Tianjin Real Estate Group advanced with progress.

(Remarks: if the financing and share expansion project via mixed ownership reform were accomplished smoothly in Tianjin Property Exchange Center, debt payment pressure of the company will be mitigated.)

❑ **Corporate News:** Huaxia Holdings and Pingan Life Insurance sealed the deal of share transfer registration.

(Remarks: share transfer deal will effectively alleviate capital chain pressure inflicted by China Fortune.)

Banking

Bond Market

❑ **New Bond Issuance:** 16 new bonds were issued, raising totally RMB 176.8 billion, a 33.4% increase compared with the previous month.

❑ **Market Fluctuation:** None.

❑ **Debt Maturity:** 129 bonds issued by 9 entities were matured, with a total reimburse payment of 54.2 billion Yuan; no bond rated by Dagong was matured in this term.

Industry

❑ **Industrial Data:** by the end of August, the total equity of financial institutions amounted to 255.49 trillion Yuan, increasing 6.9% YoY.

❑ **Industrial Policy:** the Banking and Insurance Regulatory Commission promulgated *Guideline on Regulation of Financial Management of Commercial Banks*.

(Remarks: the guideline may facilitate the detailing in banks' practice in financial management to meet the regulatory demand, guide the financial capitals to enter the real economy and financial market in a legitimate and normative way. It may also synchronize the regulatory standards of equity management product in the same category, gradually and sequentially break the inelastic repayment mechanism, and effectively prevent the financial risks.)

❑ **Industrial Policy:** People's Bank of China and the Ministry of Finance jointly promulgated the *Temporary Measures to Management of Bond Issuance by Overseas Institutions in the Inter-Bank Bond Market*.

(Remarks: the measures provide systematic arrangement for overseas institutions to issue bonds in the inter-bank bond market, prompt synchronization of domestic regulations with those in the international market. It's informative and constructive in enhancing the level of domestic market and its openness.)

Enterprises

- ❑ **Rating Adjustment:** None.
- ❑ **Corporate Default:** None.
- ❑ **Corporate News:** in the first half of 2018, revenue of the Communication Bank slid YoY; Fitch downgraded Beijing Bank's survival capability grade, out of concerns of ever-climbing capital outsourcing and equity management diverting; by end of June 2018, the outstanding non-performing loans of Gansu Bank saw an expansion, wherein the subprime loans increased by 40.14% YoY, posing an downward pressure on its asset quality.
- ❑ **Corporate News:** Two guys Ju Guanghua and Sha Jianping were respectively nominated as the chairman and governor of Ningxia Bank.
- ❑ **Corporate News:** Erdos Bank received regulatory penalty for not revealing the investors' relationship completely and truthfully.
- ❑ **Corporate News:** Zhengzhou Bank was listed in Shenzhen Stock Exchange, becoming the first city commercial bank listed both in A+H market; Huaxia Bank raised 29.2 billion Yuan via oriented financing to supplement its core capital requirement; Guiyang Bank refinanced 5 billion Yuan by issuing preferential shares to enhance its capital sufficiency ratio.

Construction Materials

Bond Market

- ❑ **New Bond Issuance:** 7 new bonds were issued, raising totally RMB 5.7 billion, rating grades were AA+ or above.
- ❑ **Market Fluctuation:** prices of “17 Nanshui 04”, “15 Yatai MTN001” etc. increased this month; affected by the offered purchasing of Tangshan Jidong Cement by Beijing Jinyu Group, prices of “12 Jidong Fazhan” and “12 Jidong Fa” declined.
- ❑ **Debt Maturity:** no bonds rated by Dagong in the construction material industry were matured.

Industry

- ❑ **Industrial Data:** since September, cement price across the country increased mildly; float glass saw a price increase followed by a mild declining; other materials' overall prices were relatively stable.
- ❑ **Industrial Policy:** plan of construction materials' output cap for winter heating would be released gradually.

(Remarks: output restriction and kiln suspension has no trace of being loosed. Viewed from the already released plans, it is expected that the execution timetable will follow the past arrangements but maybe more flexible to shift the peaks. Differentiation in peaks will bias toward enterprises with super low emission or with liability to support the people's welfare.)

Enterprises

❑ **Rating Adjustment:** Moody's adjusted Anhui Conch Cement from A3 to A2.

(Remarks: the rationality of Moody's adjustment: the Conch Cement's profit and management ability improved relatively, its debt volume declined, debt leverage ratio maintained a lower level. Under the background of the national strategy of eliminating the obsolescent industries' output, Conch Cement could take the opportunity of output growth and merger to increase its production and market share.)

❑ **Corporate Default:** None.

❑ **Corporate News:** Jidong Cement was offered an purchase by its controlling shareholder Jinyu Group.

❑ **Corporate News:** water-proof material producer, Oriental Yuhong conducted the following activities: (1). Share buyback (2). The controlling shareholder Li Weiguo pursued rollover for part of the pledged shares. (3). Senior executive Zhang Zhiping increased his shares

Farm and Sideline Products Processing

Bond Market

❑ **New Bond Issuance:** 3 new bonds were issued, raising totally RMB 2.1 billion, declining 9.8 billion compared with the previous month. Issuances encompassed both public and private offerings. rating grades included AAA and AA.

❑ **Market Fluctuation:** prices of 2 bonds "12 Nantang" and "14 Beinong", fluctuated vehemently, declining more than 110%.

❑ **Debt Maturity:** 5 bonds were matured with a total amount of 2.83 billion Yuan. Except "17 Zhongpin SCP002", which delayed full reimbursement of bond interests and principals due to technical reasons, all other matured bonds were duly honored.

Industry

❑ **Industrial Data:** the national CPI in September increased by 0.7% MoM; across the country importation of primary farm and sideline products declined by 6.99% MoM; feed price increased mildly MoM, and the livestock of pig continued to decline MoM.

❑ **Industrial Policy:** *Several opinions on improving the mechanism of consumption to stimulate the residences' consumptive potential* issued by the Central Communist Party and the State Council; *Opinions on galvanizing the development of industrial processing zones for farm and sideline products* issued by Sichuan Provincial Government.

Enterprises

❑ **Rating Adjustment:** on Sept 7, 2018, Lianhe Credit Rating Co., Ltd downgraded the entity grade of Chuying Agro-Pastoral Group from A to BBB, with a negative prospect.

(Remarks: Pig raising industry is experiencing the dual impacts of cyclical trough and shocks by pestilence, posing adverse effect on the company's business. At the moment the company is facing the pressure of short-term debt payment and a tight capital chain.)

❑ **Rating Adjustment:** on Sept 21, 2018, Golden Credit Rating International downgraded the entity credit rate of Henan Zhongpin Foodstuff Co., Ltd to AA- from AA, adjusting its prospect from stable to negative. On Sept 25, 2018, Golden Credit Rating International downgraded the entity credit rate of Henan Zhongpin Food Co., Ltd to AA- from AA, adjusting its prospect from stable to negative.

(Remarks: there were no definite arrangement for the matured principal and associated interests; amid its floating capital ratio of loans to related parties is high; its outstanding debt volume remained at a high level, wherein the short-term interest-carrying debt dominates and the debt term structure calls for optimization.)

❑ **Corporate Default:** “17 Zhongpin SCP002” issued by Henan Zhongpin Foodstuff Co., Ltd failed and applied to delay, out of technical reasons, to honor the full repayment of the principal plus interests incurred, whose mature date was due on Sept 24, 2018. Interest repayment and resale of part of the principal of “16 Zhongpin 02” issued by Henan Zhongpin Food Co., Ltd has no definite arrangement.

❑ **Corporate News:** Zhejiang Huatong Meat Product Co., Ltd and Shandong Huaxian People's government reached a strategic cooperation agreement, procuring the project investment of Shandong Huaxian Huatong pig production and processing chain.

(Remarks: the cooperation will foster the development of the staple business of Huatong, promote the industrial chain integration, in compliance with the company's long-term plan.)

Steel

Bond Market

❑ **New Bond Issuance:** 18 new bonds were issued, raising totally RMB 24.692 billion Yuan, with a growth rate of 87% MoM, issuances were dominated by public offerings by 10 issuers, majority of the bond grades is AAA.

❑ **Market Fluctuation:** None.

❑ **Debt Maturity:** 11 bonds were matured, with a total amount of RMB 23 billion Yuan, which were all duly honored.

Industry

❑ **Industrial Data:** steel price climbed mildly in September, overall supply and

demand were balanced; inventory of steel increased mildly; iron ore price price fluctuated within a limited range. Overall supply was bigger than supply; port inventory had decreased.

❑ **Industrial Policy:** Based on *the Action Plan to Comprehensively Control Air Pollution in Autumn and Winter on Fenwei Plain 2018-2019 (temporary draft for appraisal)*, the following objectives were the cynosure of the plan: upgrade and restructure of pyrogenation and steel industry; merger of existing pyrogenation and steel enterprise; upgrade the equipment technical level; downsize enterprise numbers; pollution control; super low emission transformation; off-peak production and transportation.

(Remarks: the Action Plan is conducive to the industry's upgrade and transformation. The clarification on the off-peach production plan on Fenwei Plain is poised to the business operation in heating seasons.)

Enterprises

❑ **Rating Adjustment:** None.

❑ **Corporate Default:** None.

❑ **Corporate News:** on Sept 7, Valin Steel released its business summary for August. By end of August, the accumulated outputs of the company were as follows: iron 10.57 million tons, steel 12.81 million tons, steel products 12.06 million tons, sales: 12.18 million tons.

❑ **Corporate News:** Ansteel Group planned to transfer gratis 360 million shares to China Electric Construction Group through its fully-owned subsidiary company Anshan Steel. The transfer had been approved by the State Assets Supervision and Administration Commission of the State Council.

Nonferrous Metals

Bond Market

❑ **New Bond Issuance:** 10 new bonds were issued, raising totally RMB 13.71 billion, declining 23.83% MoM, issuances were dominated by public offerings, with grades being AA or above, wherein 7 bonds were awarded with grade AAA.

❑ **Market Fluctuation:** Jilin Liyuan Precision Manufacturing Co., Ltd failed to honor its bond "14 Liyuan" on the date of maturity. At the moment the bond had plummeted more than 80%.

❑ **Debt Maturity:** 1 bond rated by Dagong in the nonferrous industry was matured and duly honored.

Industry

❑ **Industrial Data:** SHFE copper and zinc prices fluctuated upward; COMEX gold

and aluminum prices saw modest volatilities; while price of lead poised the trend to decline.

❑ **Industrial Policy:** Sichuan province and other places were promulgating policies to lower electricity price.

(Remarks: the subsidy policies favored on those self-preparatory electric generating factories will pose substantial impacts on industries such as aluminum oxide.)

Enterprises

❑ **Rating Adjustment:** entity grades of three issuers were adjusted downward..

❑ **Corporate Default:** “16 Gangji 01” failed to honor its interests and reimburse part of the principal resale; “17 Gangtai 02”and “14 Liyuan” failed to honor the due interests.

(Remarks: Amidst the sluggish macroeconomic environment an tightening credit financing, Gangtai Group and Jilin Liyuan Precision Manufacturing Co. Ltd all defaulted on their bonds, due to their deteriorating financial status)

❑ **Corporate News:** Zijin Mining Group conducted asset purchasing.

(Remarks: the purchasing of a copper mine company from Serbia by Zijin Mining Group will increase the company’s copper mine reserve, enhancing its market competitiveness.)

Chemicals

Bond Market

❑ **New Bond Issuance:** 12 new bonds were issued, raising totally RMB 6.766 billion, declining 21.74% MoM, issuances were dominated by public offerings, involving 10 issuers with grades being AA or above.

❑ **Market Fluctuation:** None.

❑ **Debt Maturity:** None.

Industry

❑ **Industrial Data:** price of chemical product index moved upward; oil price continued its upward trend; interest spread for AA grade was poised to move upward.

❑ **Industrial Policy:** Henan Province prohibited construction of new chemical industrial zone.

(Remarks: the prohibition will promote the cyclical transformation of existing industrial zones, fostering their regulation and improvement in quality and efficiency.)

Enterprises

- ❑ **Rating Adjustment:** None.
- ❑ **Corporate Default:** None.
- ❑ **Corporate News:** (Petrochemical Industry). Geo-Jade Petroleum Corporation received a quest letter from Shanghai Stock Exchange.
(Remarks: further explanation and information revelation is demanded to its pre-arranged planning for important asset purchasing.)
- ❑ **Corporate News:** (Petrochemical Industry). Donghua Energy Co., Ltd released the announcement as transferee of a subsidiary company.
(Remarks: progress of the transfer needs close concern.)
- ❑ **Corporate News:** (Petrochemical Industry). Zibo Qixiang Tengda Chemicals Co., Ltd released an announcement on the company's rectification.
(Remarks: looks like a platitude in all similar rectification procedures)

Asset Securitization

Bond Market

- ❑ **New Bond Issuance:** 107 new ABS (asset backed security) products were issued, raising totally RMB 232.238 billion, wherein 18 loan-backed ABS products amounting to 97.622 billion Yuan, 84 enterprise-issued ABS amounting to 128.088 billion Yuan, and 5 ABN amounting to 6.528 billion Yuan.
- ❑ **Market Fluctuation:** None.
- ❑ **Debt Maturity:** None.

Industry

- ❑ **Industrial Data:** the biggest CMBS was issued, with an amount of 7.3006 billion Yuan.
(Remarks: the successful issuance of the CMBS, by liquefying the group's commercial real estate and expanding its financing channels, proved the key role of CMBS in facilitating the transformation of traditional retailing industry.)
- ❑ **Industrial Data:** issuance of the first ABS backed by storage-rack-type SME (Small and Micro Enterprises) financial lease.
(Remarks: this trial measure to help SME via ABS by Shanghai Stock Exchange is targeted to the exploration as to how to increase the roles played by finance in serving the real economy. The storage-rack-type issuance will enhance the issuing efficiency, lowering the issuing cost, possessing the features of pilot and duplicity.)
- ❑ **Industrial Data:** Shenzhen Stock Exchange issued the first CMBS backed by hotel-types.
(Remarks: the CMBS backed by Shenzhen Four Seasons Hotel was in compliance with the State Council's guiding principle "to activate the inventory and to lower the social financing cost by means of ABS," providing a feasible path and prototype for commercial projects such as high quality hotels in the first tier cities to

access the capital market.)

Enterprises

□ Rating Adjustment: None.

□ Corporate Default: None.

□ Corporate News: the first defaulted CMBS project—ABS backed by the beneficial right of trust of the *Chinese Redwood Exhibit*.

(Remarks: recently, multiple occurrence in ABS default needs a close watch. We should take measures to lower the risks in culling the fundamental assets to ensure the cash flow of the assets be sufficient to repay the principal and its associated interest. Strengthening the asset management to guarantee the cash flows return to the supervision account and specifically-arranged account helps to prevent the capital misappropriation.)

□ Corporate News: the intelligent ABS platform named Financial One-Connect ALFA was launched.

(Remarks: Opaque and non-accessibility of information related to the fundamental assets are the main culprits rendering the abnormal phenomena of the prevalent emphasis on entity risks and negligence on asset risks, inhibiting the further expansion of the ABS market. Delving into the industry's very weakness, the ALFA intelligent ABS platform employs the blockchain technology to penetrate into the underlying asset to reveal the asset information openly and genuinely.