

Monthly Watch of Industrial Markets (October, 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 6.91 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 fell by 47.45%.
- ❑ **Market Fluctuation:** In October, 7 bonds had seen substantial volatility in the bond market for pharmaceutical industry, among which those issued by Kangmei Pharmaceuticals Co., Ltd, Taientang Group and Harbin Yuheng Pharmaceuticals Co., Ltd were included.
- ❑ **Debt Maturity:** In October, 3 bonds in pharmaceutical industry rated by Dagong were matured, the concerned issuers are Wuhan Contemporary Science and Technology Industrial Group Co., Ltd and Weigao Group Co., Ltd. .

Industry

- ❑ **Industrial Data:** price index of vitamins (forage use) decreased modestly; price index for Chinese Traditional Medicine mildly adjusted downward in Chengdu. The overall market was sluggish.
- ❑ **Industrial Policy:** era of the Health and Birth Planning is over, many provinces began to set up the Commission of Health Construction and the Bureau of Medical Insurance.

(Remarks: merging of the three insurances, namely the basic medical insurance of urban citizens, the medical insurance of urban residents, and the new-type rural cooperative medical care to be administered by the bureau of medical insurance, together with franchised rights to set prices for medical care service and procurement, will enable the bureau the functionalities of precautionary and real-time monitoring and strict punishment ex post.)

❑ **Industrial Policy:** release of *the Catalogue of National Basic Medicines (2018)*.

(Remarks: implementation of the new catalogue will encompass major diseases, better satisfying the basic medical care demands.)

Enterprises

❑ **Rating Adjustment:** None

❑ **Debt Default:** None

❑ **Corporate News:** Tianjin Pharmaceutical plans to pursue mixed ownership reform. However, the reform just stepped in the phase of planning, issues related to authoritative approvals, adjustment of asset scope, audition and appraisal are yet to be accomplished.

(Remarks: since the reform is in preliminary stage, uncertainty remains.)

Corporate News: rights claimed indirectly by China Resources Pharmaceutical Group Limited will surpass 30% of the stock shares issued by Jianzhong Pharmaceutical, triggering the overall bidding acquisition.

(Remarks: the bidding acquisition is still pending for approval of authorities. The OTC and health products of Jiangzhong Pharmaceutical will complement the industrial chain of China Resources Pharmaceutical.)

Retailing

Bond Market

❑ **New Bond Issuance:** 5 new bonds were issued, raising totally RMB 1.85 billion. Compared with last month, the newly issuance volume dropped substantially.

❑ **Market Fluctuation:** “16 Guanghui Auto MTN001” increased by 26.27%, “15 Huayang Jingmao MTN001” dropped by 90.12%, and “16 Hongtu Gaoke MTN001” dropped by 72.44% respectively in October.

❑ **Debt Maturity:** no bonds in this category issued by Dagong matured in October.

Industry

❑ **Industrial Data:** from January to September 2018, retailing amount of the social consumption totaled RMB 27.42293 trillion, a 9.0% increase YoY. While CPI in

September increased by 2.5% YoY and by 0.7% MoM.

❑ **Industrial Policy:** On Oct. 11, *Implementation Plan on Promoting the Consumption System and Mechanism (2018~2020)* issued by the State Council was released.

Enterprises

❑ **Rating Adjustment:** On October 9, CCXR downgraded the corporate credit rate of Jinma Group from AA- to AA-; on Oct 11, it was downgraded to BB, and on Oct 12 further downgraded to CC.

(Remarks: payments were deferred by customers of Tianchu Investment, an affiliate of Jinma Group. The de facto controller of Jinma Group, in his or her own name, was responsible for the customers' payments. Occurrence of the issue affected the group's refinancing capability, ultimately resulting in its failures to fully repay interests of "17 Jinma 03", "17 Jinma 04", constituting de facto default.

❑ **Rating Adjustment:** Lianhe Credit Rating Co., Ltd adjusted downward the corporate credit rate of China Huayang Economic and Trade Group., Ltd from CC to C, and Dagong Credit downgraded the same entity's rating from AA+ to C.

❑ **Debt Default:** "17 Jinma 03" and "17 Jinma 04" issued by Jinma Group were not duly honored, constituting de facto default

❑ **Corporate News:** Executive manager of Yuyuan Group resigned; Yonghui Supermarket plans to form a joint-venture with ParknShop (China) and Tencent; Jiajiayue plans to set up a jointed supply chain company.

Electric

Bond Market

❑ **New Bond Issuance:** 1 new bonds were issued, raising totally RMB 0.8 billion, decreasing 38.46% MoM. Issuances were conducted in way of Public Offerings, with debt credit rating grade is AA+, entity credit rating grades AA+.

❑ **Market Fluctuation:** None fluctuated more than 10%.

❑ **Debt Maturity:** None rated by Dagong.

Industry

❑ **Industrial Data:** During the period from January to September, 2018, electricity consumption by the whole country was 5.1061 trillion kWh, 8.90% increase YoY.

❑ **Industrial Policy:** "notice on speeding up the Planning and Construction of a number of key projects for Transmission and Transformation " issued.

(Remarks: This document proposes a total of 9 electric transmission and transformation projects, which is another large-scale landing of the UHV project after the construction of 9 UHV and 12 key transmission channels proposed by the "Air

pollution Prevention and Control Program" in 2014. The demand will increase dramatically.)

Enterprises

- ❑ **Rating Adjustment:** None.
- ❑ **Corporate Default:** None.
- ❑ **Corporate Operation:** Based on three quarterly performance reports released, many companies showed a decline in performance.
- ❑ **Assets Reorganization:** Xintai Electric entered the reorganization process; Zhongli Group planned the acquisition of new energy assets, and now is in suspension.
- ❑ **Investment:** Dongfang Risheng plans to acquire Australian photovoltaic power station project.

Chemicals

Bond Market

- ❑ **New Bond Issuance:** 13 new bonds were issued, raising totally RMB 14.900 billion, increasing 123.49% MoM, involving 7 issuers with grades being AA or above.
- ❑ **Market Fluctuation:** Four bonds fluctuated above 10%.
- ❑ **Debt Maturity:** 12 was matured and duly honored; Besides, "16 Tongyi 02" delayed full reimbursement of bond interests and principals.

Industry

- ❑ **Industrial Data:** Price of chemical product index fluctuated slightly; oil price slight dropped; interest spread for AA grade trended to slight decline.
- ❑ **Industrial Policy:** The Ministry of Commerce recently announced the total amount of fertilizer import tariff quotas, distribution principles and related procedures in 2019.

(Remarks: Domestic Urea prices are expected to rise further in the fourth quarter, and are more likely to rise than fall.)

Enterprises

- ❑ **Rating Adjustment:** 1 bond.
- ❑ **Corporate Default:** 1 bond.
- ❑ **Petrochemical Industry:** Tongyi Industrial Group Co., Ltd.
(Remarks: Tongyi Industrial Group Co., Ltd. defaulted, "16 Tongyi debt" remains to be concerned.)
- ❑ **Chemical Material:** Qinghai Salt Lake Industry Co., Ltd.

(Remarks: Third quarter loss increased YoY.)

❑ **Chemical Products:** Kangdexin Composite Materials Group Co., Ltd. issued an announcement on the company and its controlling shareholder and actual controller receiving the notice of investigation by the China Securities Association .

(Remarks: The company actively cooperated with the investigation and its current operation is in good condition.)

Nonferrous Metals

Bond Market

❑ **New Bond Issuance:** 17 new bonds were issued, raising totally RMB 25.500 billion, increasing 86.00% MoM, all issuances were by public offerings, with grades being AA or above, wherein 12 entity with grade AAA.

❑ **Market Fluctuation:** “14 Jingui Debt” increased 12.30%, “12 Donggu Debt” fell 8.76%.

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

Industry

❑ **Industrial Data:** SHFE copper, aluminum and tin prices fluctuated downward; zinc and gold prices slightly fluctuated.

❑ **Industrial Policy:** Zhengzhou City announced the peak production of industrial enterprises plan in autumn and winter.

(Remarks: In order to effectively carry out the air pollution control work in autumn and winter, Zhengzhou City's implementation of the production restriction policy on alumina, electrolytic aluminum and other production enterprises will have a certain impact on the industry supply, which help maintain the current tight balance between supply and demand.)

Enterprises

❑ **Rating Adjustment:** Entity grade of one issuer was adjusted downward.

❑ **Corporate Default:** None

❑ **Production capacity:** China Aluminum Co., Ltd.

(Remarks: Chinalco's first overseas large-scale aluminum project was held the groundbreaking ceremony in Bofa, Guinea, which will strengthen the bauxite resource reserve and the sustainable development capacity of Chinalco.)

Media

Bond Market

- ❑ **New Bond Issuance:** 6 new bonds were issued, raising totally RMB 2.38 billion, increasing 230 million Yuan MoM. Issuances were dominantly conducted in way of Public Offerings, with all entity credit rating grades AA or above .
- ❑ **Market Fluctuation:** 5 bonds fluctuated apparently, with “17 Tianshen 01” being the gravest, declining 29.98%.
- ❑ **Debt Maturity:** 1 bonds rated by Dagong is matured, totally RMB 0.5 billion, and duly honored.

Industry

- ❑ **Industrial Data:** the national-wise box office was RMB 3.644 billion, it is a slight upward trend, increasing 17.54% MoM.
- ❑ **Industrial Policy:** The State Administration of Taxation carried out the work on standardizing tax order in the film and television industry; the General Office of the State Council issued the "Implementation Plan for Improving and Promoting the Mechanism of Consumption Systems (2018-2020)".

Enterprises

- ❑ **Rating Adjustment:** on October 8, Pengyuan Credit Rating downgraded the long-term entity grade of Dalian Tianshen Entertainment Co., Ltd. from AA to A, the outlook remained negative; downgraded the debt credit rating of “17 Tianshen 01” from AA to A.
- ❑ **Debt Default:** None
- ❑ **Corporate News:** The shares of the company held directly by the controlling shareholders of Huawan Media were frozen on the waiting list, and part of the investment of the company may not be recovered, the company received a letter of concern from the Shenzhen Stock Exchange again due to the relationship with 'Fuxing Department'; part shares of Huayi Brothers shareholders were pledged and decommissioned; the shares of controlling shareholders of Yinji Media were frozen on the waiting list and the company was subject to regulatory enquiries.

Auto

Bond Market

- ❑ **New Bond Issuance:** 3 new bonds were issued, raising totally RMB 3 billion.
- ❑ **Market Fluctuation:** Bonds fluctuated, “16 Taihua 01” dropped 11.93%, “16 Lifan debt” increased 13.08%.
- ❑ **Debt Maturity:** 1 bond was matured with a total amount of RMB 2 billion, and duly honored.

Industry

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

❑ **Industrial Policy:** In December 2016, the Ministry of Environmental Protection issued "The Emission limit and Measurement method for Light vehicles" (China stage 6), which is planned to be implemented step by step from July 1, 2020.

(Remarks: Since only a few regions such as Shenzhen and Guangzhou began to implement the National 6 Standard in January 2019, the sales volume was small and the short-term impact was limited. In July 2019, the national 6 was implemented by the former national 5 models in large scale which may have a volume promotion. It is expected that the sales volume of the first half of the year may be partially overdrawn..)

Enterprises

❑ **Rating Adjustment:** None.

❑ **Debt Default:** None

❑ **Beiqi Foton:** It is planned to transfer 67% of the equity of Beijing Baowo Automobile Co., Ltd., a wholly-owned subsidiary, held by the Beijing Equity Exchange.

(Remarks: After the completion of the listing transaction, the company holds a 33% stake in Beijing Baowo and no longer included it in the scope of the company's consolidated statements. Beijing Baowo has suffered losses in recent years, and the continuous capital injection has brought greater financial pressure on the company. On the one hand, it has significantly improved the profit of Beiqi Foton, and on the other hand, it is beneficial to the company's focus on commercial vehicle business.)

Household Appliance

Bond Market

❑ **New Bond Issuance:** 3 new bonds were issued, raising totally RMB 1.1 billion, increasing MoM.

❑ **Market Fluctuation:** No Bonds fluctuated more than 5.00%.

(Remarks: in October, the performance continued as before, relatively gentle.)

❑ **Debt Maturity:** None

Industry

❑ **Industrial Data:** In September 2018, Real estate investment in fixed assets slowed down, household appliances CPI fell MoM. During the same period, the shipments of

black electricity and white electricity other than domestic air conditioners increased, and the export-led inventory of washing machines fell sharply.

❑ Industrial Policy: On October 31, the Political Bureau of the CPC Central Committee held the 9th collective study on current status and trends of artificial intelligence development. Artificial intelligence is an important driving force for a new round of scientific and technological revolution and industrial transformation. Accelerating the development of a new generation of artificial intelligence is a strategic issue whether China can grasp the new round of scientific and technological revolution and industrial transformation opportunities.

(Remarks: Combined with AI technology, deep exploration of image and voice processing methods, and development together, can promote the transformation of household appliance enterprises from scale and standardization to individualization and intelligence.)

Enterprises

❑ Rating Adjustment: None.

❑ Debt Default: None

❑ Operation Performance: From January to September 2018, Gree Electric's net profit growth rate was 37%, Hisense's net profit fell 36% YoY, and Feile's net profit turned from profit to loss of RMB828 million.

(Remarks: Affected by the overall weakness of the industry, the overall growth rate of household appliance performance growth in the third quarter of 2018 slowed down, but the growth rate of Gree Electric Appliances remained at a high level; pay attention to the possibility of further impairment of Feile Acoustics in future.)

❑ Asset Reorganization: Midea Group responded to the 《Restoration Letter on the Conversion of the Group to the United States and the merger and acquisition of Wuxi Little Swan Co., Ltd.》. TCL Group explains rumors of the acquisition of ASM Pacific.

Asset Securitization

Bond Market

❑ New Bond Issuance: 54 new ABS (asset backed security) products were issued, raising totally RMB101.719 billion; wherein 8 loan-backed ABS products amounting to RMB42.171 billion, 35 enterprise-issued ABS amounting to RMB41.824 billion, and 11 ABN amounting to RMB17.724 billion.

Industry

❑ Some securities companies ABS business process is not standardized, supervision level on-site inspection issued warning letter.

(Remarks: ABS business has become an important business breakthrough direction and an important growth point of performance for brokerages. Due to the positive guidance from the policy level, ABS business continues to expand rapidly, the expansion of business also challenges the management level of managers, some brokers have business irregularities. The regulatory authorities have increased supervision over the compliance development of ABS business, conducted on-site inspections of relevant brokerage ABS businesses, and issued warning letters for brokers with problems in the inspection process.)

☐ Guangfa Securities Launches ABS Cloud Platform Based on Blockchain Technology with GF Asset Management.

(Remarks: The combination of block chain and asset securitization can effectively guarantee the authenticity of assets and help solve the problem of pain point in the industry. The intermediary can obtain real basic asset data through block chain to improve the efficiency in the adjustment link, and investors can carry out analysis on the real basic asset data to evaluate the asset price more accurately. Regulators will also be able to meet the need for penetrating regulation to a greater extent.)

Hot Pot

☐ The first trust as the administrator of the company ABS has been accepted

(Remarks: In the broad-based asset-backed securities business, the trust company mainly acts as the plan manager of the ABN issued by the inter-bank market, while the issuer of the exchange ABS is undertaken by the fund company, fund subsidiaries and brokerage firms. According to industry insiders, the trust company, as the ABS manager of the company issued by the exchange, participates in the ABS market of the enterprise and will enrich the type of issuer and make the healthy development of the ABS market.)

☐ China's first single docking precision poverty alleviation infrastructure project asset support bill product issuance.

(Remarks: The poverty alleviation bill is a debt financing instrument with a special logo that has been specially issued by the Association of Dealers for the use of funds raised by the issuer for poverty alleviation purposes such as infrastructure construction in poverty-stricken areas, ex situ poverty reduction and industrial poverty alleviation projects, including these conventional varieties as medium-term notes and ultra-short-term financing bonds, also including these innovative varieties as asset-backed notes and social-effect bonds. The successful launch of this single project is an important measure taken by the Dealers Association to resolutely implement the spirit of the central poverty alleviation work and to conscientiously implement the requirements of the people's Bank of China on financial support and efforts to overcome poverty.)

Construction Materials

Bond Market

- ❑ **New Bond Issuance:** 12 new bonds were issued, raising totally RMB 12.1 billion, all issuances were by Public Offerings, with entity credit rating grades AA+ or above.
- ❑ **Market Fluctuation:** None.
- ❑ **Debt Maturity:** 3 bonds in construction materials rated by Dagong was matured, and duly honored.

Industry

- ❑ **Industrial Data:** Since October, country's cement production has gradually recovered, and cement prices continue to rise with the entry into the traditional demand season; float glass saw a continuously mild price decrease.
- ❑ **Industrial Policy:** Cement Enterprises in Gansu Province stop production for 90 days avoiding peak.

(Remarks: The "Notice" clearly defines the "winter defense" of air pollution in the province, reduces air pollution during heating period, and effectively resolves the contradiction of overcapacity in the cement industry.)

Enterprises

- ❑ **Rating Adjustment:** None.
- ❑ **Debt Default:** None.
- ❑ **Cement:** Jidong Cement provides full joint liability guarantee for its holding subsidiaries; Jidong Cement releases third quarter financial statements.
- ❑ **Waterproof materials:** Partial shares of Oriental Yuhong shareholders were released of pledge.

Banking

Bond Market

- ❑ **New Bond Issuance:** 16 new bonds were issued, raising totally RMB 170.5 billion, a 3.56% decrease MoM.
- ❑ **Market Fluctuation:** None.
- ❑ **Debt Maturity:** 5 bonds issued by 5 entities were matured, with a total reimburse payment of RMB15.0 billion; no bond rated by Dagong was matured in this term.

Industry

- ❑ **Industrial Data:** At the end of August, the total assets of banking financial

institutions amounted to RMB257.29 trillion, increasing 7.0% YoY.

❑ Industrial Policy: Banking Regulatory Commission: Will increase financial support for private enterprises and small and micro enterprises.

(Remarks: After years of unremitting efforts, most banks and insurance institutions have made private and small and micro enterprise financial services an important support point for medium and long-term development strategies, and all relevant departments have continuously strengthened the policy of “combination boxing” of multi-party linkage.)

❑ Industrial Policy: Regulations on foreign banks will to be revised and business restrictions will be further relaxed.

(Remarks: In the long run, further opening up to the outside world will help enrich the types of banking and financial institutions in China, enhance market vitality, and improve overall resource allocation efficiency.)

Enterprises

❑ Rating Adjustment: None.

❑ Corporate operation: None.

❑ Corporate News: On October 26, 2018, the Singapore Commodities Center, established by Shanghai Pudong Development Bank in Singapore, was officially unveiled. This is the first large-scale commodity center established by Shanghai Pudong Development Bank outside China. The center is committed to providing Singapore with a global fulcrum and providing a one-stop integrated financial service solution for global commodity manufacturers.

❑ Listed financing: Recently, the National Small and Medium Enterprise Share Transfer System issued a notice saying that it agreed to the listing of Xingtai Rural Commercial Bank on the New Third Board, the transfer method is a set auction transfer.

Insurance

Bond Market

❑ New Bond Issuance: 1 new bonds were issued, raising totally RMB 1.5 billion, with entity credit rating grades AAA, debt credit rating grade AA+.

❑ Market Fluctuation: None.

❑ Debt Maturity: None.

Industry

❑ Regulatory Policy: The Banking Regulatory Commission publicly solicits opinions on the "Administrative Measures on Insurance Funds Investment Equity (Draft for Soliciting Opinions)"

(Remarks: The "Equity Measures" abolished the industry-wide restrictions on the direct investment of insurance funds, giving insurance institutions more investment autonomy, providing more long-term financial support for the development of the private economy and creating a good financing environment. At the same time, it will help to increase the proportion of equity financing and direct financing, guide insurance funds to provide more capital for the real economy, further reduce the leverage of the real economy, and enhance the long-term development resilience of the economy. In addition, it helps to optimize the allocation of financial resources. To promote insurance funds to play an active role as institutional investors, better serve major national reforms such as mixed ownership reform, market-oriented legalized debt-to-equity swaps, and focus on supporting industries and sectors with market prospects, and technological advantages to promote economic upgrading. Increase efficiency.)

□ Regulatory Policy: The Banking and Insurance Regulatory Commission issued the "Notice on the Relevant Matters Concerning the Establishment of Special Products by Insurance Asset Management Companies"

(Remarks: The issuance of the "Notice" is conducive to defusing the liquidity risk of stock pledge of listed companies, to effectively supporting the development of high-quality listed companies and private enterprises, to giving full play to the long-term and stable investment advantage of insurance funds, and is a long-term fund provider of the real economy, better consolidating the basis for long-term investment in the market.)

□ Industry Dynamics: Evaluation of Insurance Company Operation in 2017

(Remarks: The management evaluation index system is an important part of the "three-in-one" supervision and evaluation system of insurance companies, together with the service evaluation index system and the classification supervision evaluation system, the insurance companies are evaluated from three different perspectives: operation effect, service level and risk status.)

Enterprises

□ Equity change: Guohua Life Insurance increased its capital by RMB 9.5 billion and plans to introduce three state-owned enterprises in Hubei

(Remarks: As a private insurance company, Guohua Life Insurance has actively introduced a number of state-owned enterprises in Hubei Province to optimize the shareholding structure and improve corporate governance.)

Farm and Sideline Products Processing

Bond Market

□ New Bond Issuance: 7 new bonds were issued, raising totally RMB8.4 billion, increasing RMB6.3 billion MoM, with entity credit rating grades AAA, AA+, AA.

- ❑ **Market Fluctuation:** 2 Bond prices of “12 Beinong” and “16 Shengmu 01” fluctuated greatly with more than 7%.
- ❑ **Debt Maturity:** 3 bonds were matured with a total amount of RMB2.995 billion, and duly honored.

Industry

- ❑ **Industrial Data:** In September, the national CPI increased by 0.7% MoM, same as the previous month, mainly due to the increase in food price. Feed price increased mildly MoM, and the livestock of pig continued to decline MoM.
- ❑ **Industrial Policy:** On October 17, the General Office of the Ministry of Agriculture and Rural Affairs issued “the Notice of the General Office of the Ministry of Agriculture and Rural Affairs on Further Strengthening the Supervision of Quarantine and Transportation of Live Pigs”, requiring the Animal Health Supervision and Inspection Station to ensure strict implementation of the 24-hour duty system..

Enterprises

- ❑ **Rating Adjustment:** on October 23, 2018, Lianhe Credit Rating Co., Ltd downgraded the entity grade of Chuying Agro-Pastoral Group from BBB to B, with a negative prospect.

(Remarks: The pig breeding industry is experiencing a special moment of cyclical low-level and epidemic disease, which has adversely affected Chuying farming and animal husbandry operations; the company's actual controller stocks were frozen by the judiciary, some assets were seized, the capital chain was tight, and the overall solvency was further weakened.)

- ❑ **Corporate Default:** None

- ❑ **Corporate News:** Up to now, the total amount of overdue loans of Dalian Tianbao Green Food Co., Ltd. accounted for approximately 36.73% of the company's audited net assets for 2017.

- ❑ **Corporate News:** Xiandai Animal Husbandry (Group) Co., Ltd. will form a joint venture with CITIC Environmental Investment Group Co., Ltd. to integrate energy assets.

(Remarks: Based on the expertise, experience and resources of CITIC Environmental Investment Group Co., Ltd. in the field of modern agriculture, through the cooperation of both parties, the utilization efficiency of livestock and poultry farming waste resources will be improved, which will help the company to activate idle resources and improve liquidity.)

Textiles and Garments

Bond Market

- ❑ **New Bond Issuance:** 1 new bonds were issued, raising totally RMB 0.6 billion.
- ❑ **Market Fluctuation:** In October, bond price of “14 Furi MTN001” fluctuated greatly.
- ❑ **Debt Maturity:** 5 bonds were matured with a total amount of RMB4.897 billion, and duly honored.

Industry

- ❑ **Industrial Data:** Cotlook: The A index continued its downward trend since June, with a monthly average of 86.82 cents/lb; in October, due to the market's pessimistic expectations for consumer demand and the new supply of cotton in the same year, the Chinese cotton price index: 328 appeared a large decrease with the monthly decline 408.00 yuan / ton.
- ❑ **Industrial Policy:** None

Enterprises

- ❑ **Rating Adjustment:** None
- ❑ **Debt Default:** None
- ❑ **Corporate News:** Furi intends to transfer 100% of the equity held by its wholly-owned subsidiary, Gaomi City Furi Real Estate Co., Ltd. (hereinafter referred to as “Furi Real Estate”) to Furi Holding Group Co., Ltd. (hereinafter referred to as “Furi Holdings”)), the transfer price of proposed equity is RMB180 million. Furi Holdings directly and indirectly holds 29.42% of the shares of Furi. The transaction constitutes a major connected transaction and is subject to approval by the shareholders' meeting.

(Remarks: The equity transfer can activate the stock of the assets of Furi and improve the financial structure of Furi Shares, further improve the operating efficiency of the Furi Shares and the efficiency of the use of funds, and at the same time, through the transfer of the equity of Furi Real Estate, clearing the relationship between asset business and internal creditor-debt of the Furi Shares, the foundation will be laid for the company to carry out other businesses related to the capital market.)

- ❑ **Corporate News:** According to the provisions and requirements of "Regulations on the revision and issuance of the 2018 annual general financial statements" (Accounting [2018] No. 15) issued by the Ministry of Finance of the People's Republic of China (hereinafter referred to as the "Ministry of Finance") on June 15, 2018, three companies of Bailongdongfang, Hailanzhijia and Huamao Co., Ltd revised their financial statement format.

(Remarks: This change in accounting policy will have an impact on the listing of relevant subjects in the company's financial statements, and will not have any impact on the company's total assets, total liabilities, net assets and net profit of the current and before current accounting policy changes.)

Construction

Bond Market

- ❑ **New Bond Issuance:** 16 new bonds were issued, raising totally RMB20.15 billion, most issuances were conducted in way of public offerings with a 155.06% increase of new bonds size MoM.
- ❑ **Market Fluctuation:** Price of “13 Xiangyuan debt” declined more than 19%.
- ❑ **Debt Maturity:** In October, 1 bonds rated by Dagong is matured, and duly honored.

Industry

❑ **Industrial Data:** The total output of the construction industry kept the pace of growth, and the growth rate of newly signed contracts increased YoY, with the release of the country's overall stable growth policy and the coming of the infrastructure investment recovery window, in the 4th quarter, the construction industry is expected to pick up overall.

❑ **Industrial Policy:** The Ministry of Urban Construction issued a notice to launch the national construction worker management service information platform.

(Remarks: The National Construction Worker Management Service Information Platform will help the real name management for construction workers and protect the legitimate rights and interests of construction workers.)

Enterprises

- ❑ **Rating Adjustment:** None
- ❑ **Executive change:** China Construction Co., Ltd. and Chinalco International Engineering Co., Ltd. hired new presidents respectively.
- ❑ **Shareholding:** Ye Linfu, the actual controller of Tengda Construction Group Co., Ltd., and the concerted action persons increased the shareholding of the company.

Real Estate

Bond Market

- ❑ **New Bond Issuance:** 43 new bonds were issued, raising totally RMB 41.653 billion, with a 15.25% increase of new bonds size MoM.
- ❑ **Market Fluctuation:** None
- ❑ **Debt Maturity:** 9 bonds were matured or principal pre-reimbursed, with a total amount of RMB 9.81 billion.

Industry

❑ **Industrial Data:** The sales of the top 100 real estate enterprises decelerated, and the monthly growth rate slowed down in a single month.

❑ **Industrial Policy:** Solidly promote the work of shed reform, and adjust the monetization to suit local conditions.

(Remarks: Eliminating the monetization resettlement policy is not the same as canceling the monetization resettlement method. In the future, the monetization resettlement policy for sheds will be further adjusted and improved according to local conditions, and will not be across the board, and will be steadily advanced according to the actual situation of each place. In the next step, cities and counties with insufficient commodity housing stocks and high housing price pressures will become the focus of adjustment, and the future three- or four-line market may be further divided.)

Enterprises

❑ **Rating Adjustment:** The credit rating of Beijing Huaye Capital Holdings Co., Ltd. is downgraded greatly.

❑ **Corporate Default:** None.

❑ **Corporate News:** Beijing Huaye Capital Holdings Co., Ltd.

(Remarks: The freezing of core assets will greatly affect the company's debt solvency.)

❑ **Corporate News:** Zhonghong Holdings Co., Ltd.

(Remarks: Zhonghong shares are on the verge of delisting.)

Financing Lease

Bond Market

❑ **New Bond Issuance:** 16 new bonds were issued, raising totally RMB21.92 billion, most issuances were conducted in way of other financial institutions based on the total amount, and were mainly super-short-term financing bonds based on the amounts, 11 issuers credit rating grades are AA+ or above with 8 issuers credit rating grade AAA.

❑ **Market Fluctuation:** 2 bond prices fluctuated more than 3% in this month.

❑ **Debt Maturity:** None

Industry

❑ **Industrial Data:** In terms of the number of enterprises, till the end of September 2018, the total number of financial leasing companies nationwide was about 166,000 an increase of 27.2% compared with the end of 2017. In the same period, the balance of national financial leasing contracts was about RMB6.55 trillion, an increase of 7.73%

compared with the end of 2017, with the balance of financial leasing contracts of the leasing companies accounting for about 37.40% of the industry. In terms of industry sentiment index, the financial leasing industry sentiment index was 33% in the third quarter of 2018, up 5 percentage points from the second quarter; the confidence index for the financial leasing industry in the next quarter (the fourth quarter of 2018) was 34%, down 3 percentage points from 37% in the previous quarter.

❑ Industrial News: The first bonded finance leasing business in Sichuan Free Trade Zone successfully launched in the Shuangliu Free Trade Zone.

(Remarks: In the current difficult financing environment, Chengdu Shuangliu Free Trade Zone will carry out aviation leasing business such as aircraft, which will bring favorable factors for Sichuan Province to further increase the scale of local financial industry, stimulate the vitality of financial industry and promote local financial opening.)

❑ Industrial Policy: Establishing local financial supervision bureaus in many places, integrating financial leasing and other regulatory duties.

(Remarks: The establishment of local financial supervision bureaus in many places not only implements the national policies and laws and regulations on local financial supervision, but also more possible accelerates the implementation of new financial leasing supervision effectively.)

Enterprises

❑ Rating Adjustment: None

❑ Corporate Default: None

❑ Listed Company: Bohaijin Control intends to change its name to Bohai Lease to return to its main business

(Remarks: Under the background of strictly controlling the development of the financial control platform and strengthening the supervision of financial institutions, Bohaijin Control intends to adjust its development strategy to focus on the development of the main business of leasing, especially the main business of aviation leasing, and no longer expand diversified financial business, and gradually divest Financial or financial investment with low correlation with the main leasing industry, which may have a positive impact on reducing the overall asset-liability ratio and improving the ability of the leasing main business to serve the real economy.)

Gas

Bond Market

❑ New Bond Issuance: 2 new bonds were issued, raising totally RMB 2.74 billion, both are medium term notes with credit rating grades AAA.

❑ Market Fluctuation: None

❑ Debt Maturity: None

Industry

❑ **Industrial Data:** Natural gas production in the first three quarters of 2018 was 115.6 billion cubic meters, increasing 6.3% YoY; apparent consumption of natural gas was 201.7 billion cubic meters, increasing 18.2% YoY.

(Remarks: Benefiting from the stable macroeconomic stability and the implementation of environmental protection policies, natural gas consumption will grow at a relatively high rate. It is expected when entering the winter heating season in the fourth quarter of 2018, natural gas demand will further increase.)

❑ **Industrial Policy:** None

Enterprises

❑ **Rating Adjustment:** None

❑ **Major issues:** Indicative announcement of Guizhou Gas Group Co., Ltd. on the Expectation of Substantial Loss of Subsidiaries and the Company's Pre-Loss in the third Quarter of 2018

(Remarks: As Liupanshui Thermal Power Co., Ltd., a wholly-owned subsidiary of Guizhou Gas Holding Co., Ltd., focused on the completion of the “coal to gas” work in 2017, and the price of natural gas and LNG in the upstream pipeline increased in 2018, the loss of Liupanshui Thermal Company increased. In view of the above factors and the adjustment of the price of upstream natural gas station stations and the increase of bank financing costs, it is expected that the company's operating performance in the third quarter of 2018 will suffer losses.)