

Monthly Watch of Industrial Markets (November, 2018)

For readers to our *Monthly Watch of Industrial Markets* reports: we release the monthly reports compiled by our analysts, covering 20 plus 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:** 18 new bonds were issued, raising totally RMB 17.65 billion. Issuances were conducted both in ways of Public and Private Offerings by 16 issuers. The credit ratings of the bond issuance were all AA or above. Compared with last month, the newly issuance volume is 155.43% up.
- ❑ **Market Fluctuation:** 6 bonds in the sector of pharmaceuticals, as issued by Kangmei Pharmaceuticals saw substantial volatility in November.
- ❑ **Debt Maturity:** In November, one bond in the sector of pharmaceuticals issued by Dagong matured, the issuer of which is Lepu Medical.

Industry

- ❑ **Industrial Data:** price index of vitamins (forage use) rose modestly; price index for Chinese Traditional Medicine adjusted mildly upward in Chengdu. The overall market performance was sluggish.
- ❑ **Industrial Policy:** the State “4+7” plan of purchasing with quantity quota was released.

(Remarks: purchasing with designated quantity quota will be conducted in specified provinces (or cities), clarifying the medical institutions to be the purchasing entity, featuring the realization of congruence of procurement and purchase, linkage of quantity and price, and tradeoff between quantity and price)

❑ Industrial Policy: Vaccine will see the most rigorous legislation..

(Remarks: the focus of the legislation was to strengthen measures on vaccine management reform, enhance the legislature's focus, effectiveness and feasibility.)

Enterprises

❑ Rating Adjustment: None

❑ Debt Default: None

❑ Asset Reconstruction: FOSUNPHARMA and LePu Medical had gone through the evaluation of consistency.

(Remarks: medicines going through the evaluation of consistency hopefully entail the positive effects on their market share and sales.)

Tender Offer: Tender offer of Jiangzhong Pharmaceuticals by CR PHARMA had gone through the anti-trust audition.

(Remarks: impending final approval by the State-owned Assets Supervision and Administration Commission of the State Council will close the case of this tender offer. The business of OTC and healthcare products will effectively complement the product chain of CR PHARMA once the deal is successfully closed.)

Auto

Bond Market

❑ New Bond Issuance: 10 new bonds were issued, raising totally RMB 207.23168.94 billion. Compared with last month, the newly issuance volume decreased mildly.

❑ Market Fluctuation: “16 Guanghui 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: the Ministry of Industry and Information released the regulations on the internet of auto' direct communication to use frequency spectrum 5905-5925MHz (transient).

(Remarks: the policy pinpointed down the working frequency spectrum for future applications of the country's intelligent internet of auto, which provides technical premises for further experiments and industrialization in the next step. Furthermore, encouraging regional implementation will bring substantial increments in the market of internet of auto, promoting development of related products, standard setup and establishment of industrial chains..)

Enterprises

- ❑ **Rating Adjustment:** None
- ❑ **Rating Adjustment:**None.
- ❑ **Corporate News:** Chongqing Xiaokang planned to hold 50% shares of Dongfeng Xiaokang Auto Co. Ltd, via private placement.
(Remarks: closure of the deal will enable Chongqing Xiaokang to be the sole owner of Dongfeng Xiaokang.

Auto

Bond Market

- ❑ **New Bond Issuance:** 10 new bonds were issued, raising totally RMB 20.72316 billion.
- ❑ **Market Fluctuation:** Price of “17 Suli Yinfeng 1A” dropped by 37.7134%, and “17 Suli Yinfeng 2A” dropped by 13.4590%.
- ❑ **Debt Maturity:** None.

Industry

- ❑ **Industrial Data:** During the period from January to October, the sales of the country’s auto had declined, particularly the SUV sales growth had slowed down.
- ❑ **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.)

Transportation

Bond Market

- ❑ **New Bond Issuance:** 65 new bonds were issued, raising totally RMB 79.43 billion Yuan. Issuances were dominantly conducted in way of Public Offerings, with credit rating grade all AA and above.
- ❑ **Market Fluctuation:** Due to payment of part of the bond principal, price of “14 Zhongshanjiaotong” and “PR Zhongshanjiao” decreased more than 28%, “12 Yingkou” increased more than 10%.
- ❑ **Debt Maturity:** In October, bonds related to transportation industry were matured with a total amount of RMB 50.5 billion, dominated by short-term financing bills.

Industry

❑ **Industrial Data:** In October, the passenger turnover of roads decreased, the cargo turnover increased; the passenger and cargo indicators of railways maintained growth; the passenger turnover of civil aviation maintained growth; the throughput of port cargo maintained growth.

❑ **Industrial Policy:** The Ministry of Transport issued the "Measures on the Quality Management of Rural Road Construction".

(Remarks: The publication of the revised "Measures" is conducive to solving the outstanding problems affecting the quality and durability of rural road projects, and will bring about continuous innovation in the quality management system and construction technology of rural roads.)

❑ **Industrial Policy:** China Southern Airlines Co., Ltd. intends to withdraw from SkyTeam.

(Remarks: The withdrawal of China Southern Airlines from SkyTeam will help the three major airlines to clear their division of labor in domestic business and alliance business, reduce business overlap and competition, and benefit the long-term development of the industry.)

❑ **Industrial Policy:** The airline announced October data and the passenger load factor remained high.

(Remarks: Supply side reform control time total growth rate.)

Enterprises

- ❑ **Rating Adjustment:** None
- ❑ **Debt Default:** None
- ❑ **Corporate News:** Anhui Port Operation Group Co., Ltd. was established.

(Remarks: The establishment of Anhui Port Operation Group Co., Ltd. marks a major step in the integration of port resources in Anhui Province and provides strong support for the development of 16 ports in Anhui Province in the future.)

❑ **Corporate News:** Yingkou Port Group Co., Ltd. successfully implemented debt-to-equity swap.

(Remarks: The successful implementation of this debt-to-equity swap has caused the company's debt scale to drop significantly. However, whether this case has reproducibility remains to be seen, and it is necessary to observe the impact of open market investors' attitudes on this debt-to-equity swap on subsequent corporate financing; Dagong will continue to pay attention to it.)

Gas

Bond Market

❑ **New Bond Issuance:** 4 new bonds were issued, raising totally RMB3.3 billion, all are short term financing bills; two bonds entity credit rating grades are AAA, two bonds are AA+.

❑ **Market Fluctuation:** In November, no bond in gas industry has big fluctuation in bond market.

❑ **Debt Maturity:** In November, totally 4 bonds in gas industry were matured in bond market.

Industry

❑ **Industrial Data:** From Jan to Oct in 2018, Natural gas production was 129.1 billion cubic meters, increasing 6.5% YoY; apparent consumption of natural gas was 224.8 billion cubic meters, increasing 18% YoY.

(Remarks: Benefiting from the stable and good 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:** Jiangsu Province issued a notice on improving the price management of natural gas power generation, Fujian Province issued a notice to further optimize the natural gas price mechanism.

(Remarks: The price adjustment in Jiangsu Province is based on the characteristics of natural gas generator sets, which distinguishes peak-shaving and cogeneration units, and separately verifies the on-grid tariffs of different types of units and implements two-part electricity prices. So far, the provinces that implement the two-unit electricity price of the national gas power have added Jiangsu in addition to Shanghai and Zhejiang.)

Enterprises

- ❑ **Rating Adjustment:** None
- ❑ **Corporate News:** Guoxin Energy's subsidiary company provides guarantee for wholly-owned subsidiaries; Tianhua Environment and its wholly-owned subsidiary Beijing Huasheng intends to provide guarantee for its holding subsidiary Yuanping Natural Gas; CNPC announced the resignation of the company's directors and president; Shandong Aode Gas changed its name to Aude Group; Foshan Gas is involved in the announcement of major lawsuits.

Water

Bond Market

- ❑ **New Bond Issuance:** 14 new bonds were issued, raising totally RMB 14.56 billion, Public Offerings accounted for 49.18%, Private offerings accounted for 50.82%, with entity credit rating grade all AA and above.
- ❑ **Market Fluctuation:** None
- ❑ **Debt Maturity:** In November, 8 bonds rated by Dagong in water industry were matured, and duly honored.

Industry

- ❑ **Industrial Policy:** The Ministry of Ecology and Environmental Protection and the Ministry of Agriculture and Rural Affairs jointly issued “the Action Plan for the Fight against the Pollution of Agricultural and Rural Pollution”.

(Remarks: “The Action Plan” aims to promote rural sewage treatment and aquatic ecological protection step by step, and incorporate the results of work into the assessment of local government's pollution prevention and control battles, which will greatly promote the demand for rural sewage treatment and procurement, and companies with these wastewater treatment technologies of low cost, easy maintenance and low energy will usher new business opportunities.)

- ❑ **Industrial Policy:** The Ministry of Ecology and Environmental Protection issued the "Application for Pollution Discharge Permit and the Technical Specifications for Issuance of Water Treatment (Trial)".

(Remarks: The "Technical Specifications" fully considers that sewage treatment is not the producer of pollutants, but the characteristics of pollution control personnel, so that it can be combined with the operation of sewage disposal units to promote the whole process management of sewage treatment plants, thereby promoting sewage treatment rate of sewage treatment plant.)

Enterprises

❑ **Rating Adjustment:** None

❑ **Corporate Default:** None

❑ **Corporate management:** Xinglu Water has entered into a PPP project agreement for the Leshan Municipal Wastewater Treatment Project; China Water will carry out the urban and rural water supply integration project of Gao'an City, Jiangxi Province.

(Remarks: The PPP project will cover the downtown area of Leshan City, therefore, the conclusion of the PPP project agreement will help Xinglu Water to expand its business market to outside the city of Luzhou, expand the scale of the company's business, bring profits to the company and its shareholders, and realize the company's steady growth of cash flows.)

Asset Securitization

Bond Market

❑ **New Bond Issuance:** 124 new ABS (asset backed security) products were issued, totally RMB 309.57 billion; wherein 23 loan-backed ABS amounting to RMB 161.18 billion; 86 enterprise-issued ABS amounting to RMB 128.68 billion, and 5 ABN amounting to RMB 19.71 billion.

Industry

❑ The relevant departments are studying the promotion of infrastructure REITs.

(Remarks: The PPP market has large capacity, many participating institutions, large amount of financing, and relatively large assets, The demand for financing and revitalizing stock assets is relatively strong, which provides a prerequisite for financial innovation. The introduction of infrastructure REITs provides a guarantee for the development of PPP and risk prevention.)

❑ In the future, we need to work together to promote the development of asset securitization market.

(Remarks: In recent years, ABS business has experienced explosive growth, but there are many problems, For example, the legal system needs to be improved, the tax policy needs to be sorted out, the information disclosure is not sufficient, and the liquidity needs to be improved, In the future, the regulatory agencies will conduct in-depth research on the system. Strengthen market construction and promote the normative development of the market.)

Enterprises

❑ The country's first public talent rental housing REITs successfully issued.

(Remarks: Shenzhen Venture Capital Group's talent rental housing asset support special plan is the country's first public talent rental housing category REITs products, the launch of this product is the phased result of the Shenzhen Stock Exchange's

in-depth implementation of the spirit of the 19th National Congress of the Communist Party of China “accelerating the establishment of a multi-subject supply, multi-channel guarantee, and rent-and-purchase housing system”, it is also an important innovation practice to seriously implement the Notice of the CSRC and Department of Housing on Promoting the Relevant Work on the Securitization of Housing Leasing Assets.)

❑ Meituan group first business loan ABS successfully issued.

(Remarks: The first business loan ABS product issued by Meituan Group relies on the business loan business segment of the group review platform, and the small and micro business loans issued by the Meituan small loan to the cooperative merchants in the business chain are based assets. The raised funds can be used to provide low-cost loan funds for small and micro-businesses in a sustained and stable manner, and to help the small and micro enterprises to better provide inclusive financial services, so as to help the real economy.)

Financing Lease

Bond Market

❑ **New Bond Issuance:** 24 new bonds were issued, increasing 5 bonds MoM, raising totally RMB 29.59 billion, a 51.66% increase MoM; 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; 14 issuers credit rating grades are AA+ or above with 9 issuers credit rating grade AAA.

❑ **Market Fluctuation:** Prices of 5 bonds fluctuated more than 5% 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 RMB 6.55 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:** A number of local financial offices have been upgraded to local financial supervision bureaus, and their responsibilities have been expanded.

(Remarks: Various provinces and cities have successively established local

financial supervision bureaus, and their functions have been expanded, which is conducive to the strengthening of local financial supervision and local financial risk disposal capabilities, and has a positive impact on the development of financial leasing industry in various provinces and cities.)

❑ Industrial Policy: 20 policies to support Financial Lease Industry in Shanghai Free Trade Zone.

(Remarks: Financing leasing can help solve the problem of financing difficulties for enterprises. The “20” measures issued by Shanghai Pilot Free Trade Zone are expected to support financial leasing companies to provide strong support for Shanghai's real economy and high-end manufacturing development.)

Enterprises

❑ Rating Adjustment: None

❑ Corporate Default: None

❑ Regulatory punishment: Bank of China Financial Leasing was fined RMB 1 million in violation of prudent operating rules.

(Remarks: Under strict supervision, financial leasing companies need to accelerate transformation, focus on prudent and compliant operations, and strictly abide by leases prohibited by policy documents.)

Banking

银行

Bond Market

❑ New Bond Issuance: 25 new bonds were issued, raising totally RMB 160.5 billion, a 5.87% decrease MoM; “18 Minsheng Bank 01”, “18 Tianjin Bank 03”, “18 Qilu Bank Green Finance 01” are rated by Dagong.

❑ Market Fluctuation: None

❑ Debt Maturity: 5 bonds issued by 5 entities were matured, with a total reimburse payment of RMB 21.0 billion; “13 CITIC Bank Debt” and “13 Shaoxing Bank 01” are rated by Dagong, all duly honored.

Industry

❑ Industrial Data: At the end of October, the total assets of banking financial institutions amounted to RMB 257.62 trillion, increasing 6.6% YoY.

❑ Regulatory Policy: The Central Bank, the Bank Insurance Regulatory Commission, and the China Securities Regulatory Commission jointly issued the "Guiding Opinion on Improving the Supervision of Systemically Important Financial Institutions".

(Remarks: The introduction of the Guiding Opinions is conducive to improving

the regulatory framework for systemically important financial institutions in China, preventing systemic risks, and effectively maintaining the steady operation of the financial system.)

❑ Industrial Policy: Guo Shuqing: The loan to private enterprises must achieve the goal of “one two two five”.

(Remarks: The goal of “one two two five” aims to restore the financing function of various financing channels of private enterprises, it is a directional indicator for banks, rather than a hard assessment indicator, credit standards of bank will not be relaxed.)

Enterprises

❑ Rating Adjustment: The entity credit rating of Zhejiang Netcom Bank Co., Ltd. was adjusted from AA+ to AAA; the entity credit rating of Anhui Tuen Mun Rural Commercial Bank Co., Ltd. was adjusted from A to A+; Henan Yichuan Rural Commercial Bank Co., Ltd. rating outlook was adjusted from stable to negative; The entity credit rating of Tongling Rural Commercial Bank Co., Ltd. was adjusted from A+ to A.

❑ Corporate operation: With the introduction of new regulations on wealth management, on financial regulations and the “Management Measures for Commercial Finance Subsidiaries”, commercial banks’ financial subsidiaries have ushered in a new wave of peaks.

❑ Listing financing: Shanghai Rural Commercial Bank has been approved to issue an additional 680 million shares; Zhongyuan Bank will issue overseas preferred shares, raising no more than RMB 10 billion; China Resources Bank started to increase capital and expand shares, and plans to raise funds not to exceed RMB 3.686 billion.

Guarantee

Bond Market

❑ New Bond Issuance: None

❑ Market Fluctuation: None

❑ Debt Maturity: None

Industry

❑ Industrial Data: In November 2018, there were 8 guarantee and credit enhancement agencies providing guarantees for newly issued bonds. The total amount of new guarantees was RMB 10 billion. Among them, one of the three new bond guarantees granted by Jiangsu Re-guarantee was rated by Dagong, and one of the new

bond guarantees for China Bond Credit Promotion was rated by Dagong.

❑ **Regulatory Policy:** Shanxi Province issued the "Notice on the Implementation of Subsidies for Small and Micro Enterprises' Financing Guarantee Business". Through direct subsidies, the policy-oriented guarantee institutions will be promoted to expand the scale of small and micro enterprises' financing guarantee business and reduce the financing guarantee rate for small and micro enterprises.

(Remarks: The direct subsidy policy for financing guarantee institutions issued by Shanxi Province is to implement the policies of the state to encourage small loans, reduce the guarantee rate, and reduce the financing costs of small and micro enterprises, and effectively promote the development of local inclusive finance.)

❑ **Industry Dynamics:** Beijing will set up a municipal financing guarantee fund to build a policy financing guarantee system, and encourage guarantee and re-guarantee institutions to actively carry out small and micro enterprise financing guarantee business.

(Remarks: Beijing proposed to establish a municipal-level financing guarantee fund to construct and improve a policy-based financing guarantee system, which is conducive to promoting the guarantee institutions and re-guarantee institutions to further deepen the financial services of private and small and micro enterprises.)

Enterprises

❑ **Business Innovation:** In November 2018, the first "4321" model guarantee business in Hubei Province landed. Till ovember, a total of 40 city and county governments and 16 banks in Hubei Province have pledged to join the new type of government-guarantee cooperation, and participate in the "4321" risk sharing.

(Remarks: The "4321" model guarantee business is conducive to sharing the risks of the guarantee industry, and better serving small and micro enterprises and "agriculture, rural areas and farmers".

❑ **Business Innovation:** Guangdong re-guarantee to alleviate the dilemma of private enterprise financing, Guangdong Province's first single "China Bond Increase + Professional Guarantee Agency" credit risk mitigation certificate successfully landed.

(Remarks: Supporting private enterprise financing through market-oriented means, relying on credit risk mitigation certificate to improve the risk pricing level of private enterprise bonds, expanding private enterprise bond investment groups and investment needs, is conducive to improving the availability of direct financing of private enterprises.)

Banking

Bond Market

❑ **New Bond Issuance:** 1 new bond was issued, raising totally RMB 3.0 billion, with

entity rating grade AAA, debt rating grade AA+.

❑ **Market Fluctuation:** None.

❑ **Debt Maturity:** None

Industry

❑ **Regulatory Policy:** The Central Bank, the China Securities Regulatory Commission and the China Banking Regulatory Commission jointly issued the "Guiding Opinions on Improving the Supervision of Systemically Important Financial Institutions".

(Remarks: The introduction of the "Guiding Opinions" is an inherent requirement for strengthening macro-prudential management, in line with the overall direction of the reform of the financial regulatory system, and helps to strengthen the preventive capacity of China's systemic financial risks.)

❑ **Industrial Data:** Listed insurance companies continued to improve their performance in the first 10 months. Premium growth rate reached 21%.

(Remarks: According to the latest industry premium data released by the Banking Regulatory Commission on the 13th, in the first three quarters of 2018, the insurance industry's original insurance premium income was RMB 3.07 trillion, a 0.67% increase YoY. The growth rate was flat with the same period last year and reversed the YoY negative growth in the first nine months of this year.)

❑ **Industry Dynamics:** Allianz Insurance will become the first foreign insurance holding company.

(Remarks: The Banking and Insurance Regulatory Commission resolutely implements the spirit of the Party Central Committee and the State Council on further expanding the opening up of the country, on the basis of legal compliance and strict compliance with the bottom line of risk, the Bank continues to promote the implementation of various opening measures for the banking industry, the financial industry will be further implemented.)

Enterprises

❑ **Performance:** Changan Liability Insurance has insufficient solvency.

(Remarks: The impact of non-standard solvency level of Changan's liability insurance on its future insurance business needs continuous attention, and it has certain warning significance for other small and medium-sized property insurance companies.)

Electric

Bond Market

❑ **New Bond Issuance:** 6 new bonds were issued, raising totally RMB 3.15 billion, Issuances were conducted in way of Public Offerings, with entity credit rating grade is A+ or above, and one of bonds' entity credit rating grades AAA. The size of new bonds increased 293.75% MoM.

❑ **Market Fluctuation:** No bond price fluctuated more than 10%.

❑ **Debt Maturity:** In November, 1 bond rated by Dagong was matured, and duly honored.

Industry

❑ **Industrial Data:** During the period from January to October, 2018, the increase of electricity consumption by the whole country was 8.69%.

❑ **Industrial Policy:** The National Development and Reform Commission, the Energy Bureau issued 《the Clean Energy Consumption Action Plan (2018-2020)》 .

(Remarks: Renewable energy sources such as photovoltaic and wind power are affected by energy consumption and subsidy gaps, which have certain constraints on the development of renewable energy. According to the Clean Energy Consumption Plan, the country will promote renewable energy consumption in many aspects, and renewable energy consumption is expected to improve in the future.)

Enterprises

❑ **Rating Adjustment:** None

❑ **Corporate Default:** None

❑ **Corporate Operation:** There is an unacceptable risk of some bill receivables of Yingkari.

❑ **Project Cooperation & Foreign Investment:** Tebiandiangong will increase its capital by subscribing to the issue of domestic shares by Xinte Energy.

❑ **Equity acquisition/transfer:** Zhongli Group's Sun Company, Switzerland's Tenghui will transfer its Italian 43.3MW power station to A2A Co., Ltd.

Chemicals

Bond Market

❑ **New Bond Issuance:** 19 new bonds were issued, raising totally RMB 17.31 billion, involving 15 issuers with entity credit rating grades AA or above. The size of new bonds in this issue increased 16.17% MoM.

❑ **Market Fluctuation:** Prices of 4 bonds fluctuated more than 10% in chemical industry.

❑ **Debt Maturity:** None.

Industry

❑ **Industrial Data:** price of chemical product index moved downward; oil price fell sharply; interest spread for AAA grade showed a slight downward trend; interest spread for AA+ and AA grade showed upward trend.

❑ **Industrial Policy:** In the main battlefield of the Dongying petrochemical industry, the new and old kinetic energy conversion major planning was released.

(Remarks: With the extension of the industrial chain and the integration of high, medium and low level, we will accelerate the optimization of industrial layout and product structure, and build a national green recycling petrochemical industry demonstration base.)

Enterprises

❑ **Rating Adjustment:** 2 bonds.

❑ **Corporate Default:** 1 bond.

❑ **Bankruptcy reorganization:** Shandong Jinmao Textile Chemical Group Co., Ltd. defaulted.

(Remarks: Jinmao Textile Chemical Group Co., Ltd. has filed for bankruptcy reorganization, bond default, pending attention.)

❑ **Senior executives suspected of criminal offences:** The actual controller of Pagoda Petrochemical Group Co., Ltd. is suspected of criminal offence.

(Remarks: There are serious shortcomings in the fund collection and risk control management of the group's subsidiaries.)

❑ **Lost trustee:** Dongchen Holding Group Co., Ltd. was listed as the lost trustee.

(Remarks: Repayment of Dongying Wanghao Chemical Co., Ltd. needs to pay attention.)

Textiles and Garments

Bond Market

❑ **New Bond Issuance:** 4 new bonds were issued, raising totally RMB 1.4 billion.

❑ **Market Fluctuation:** None

❑ **Debt Maturity:** In November, 2 bonds were matured with a total amount of RMB 0.42 billion, and duly honored.

Industry

❑ **Industrial Data:** In terms of international cotton price Cotlook: in November, the A index continued its downward trend since June, with a monthly average of 86.78 cents/lb; due to the market's pessimistic expectations for consumer demand and the

new supply of cotton in the same year, in November the Chinese cotton price index: 328 appeared a sharp decline, with the monthly decline of RMB 287.00 / ton.

❑ **Industrial Policy:** In November 2018, the Ministry of Industry and Information Technology issued 48 standards and 5 measurement technical specifications for textile industry.

(Remarks: The release of textile industry standards and measurement specifications is conducive to supplementing and improving the foundation of industry development, and further standardizing the production mechanism of the textile industry, which has certain beneficial effects on improving the competitiveness and product quality of textile enterprises.)

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:** Dongxu Group Co., Ltd. has increased its holdings of Shanghai Jialinjie Textile Co., Ltd. by a total of 27,298,781 shares through centralized bidding, accounting for 3.28% of its total share capital, with an accumulated increase of RMB 100,260,020.74. After the shareholding increase, Dongxu Group holds 35,748,781 shares, accounting for 4.30% of its total share capital.

Construction

Bond Market

❑ **New Bond Issuance:** 25 new bonds were issued, raising totally RMB33.15 billion, The size of new bonds in this issue increased greatly MoM.

❑ **Market Fluctuation:** “16 Xiangfu debt” decreased by 13%, “16 Wanjing02” increased by 17.42%.

❑ **Debt Maturity:** In November, 1 bonds rated by Dagong is matured, and duly honored.

Industry

❑ **Industrial Data:** Benefiting from the impact of the “steady growth” policy, a number of policies conducive to the construction industry have been introduced since

the second half of 2018, and the industry's recovery momentum has increased, the signs of recovery from the October data are more obvious, it is expected that the construction industry is expected to pick up in the fourth quarter.

❑ **Industrial Policy:** 2018 The 4th China PPP Financing Forum was held in Shanghai, and the PPP supplement board was supported.

(Remarks: PPP supplement board was supported and the infrastructure industry is expected to benefit.)

Enterprises

❑ **Rating Adjustment:** None

❑ **Corporate Default:** None

❑ **Share freeze:** shares of the controlling shareholder of Shenzhou Great Wall Co., Ltd. are waiting for the freeze.

❑ **Cumulative new loans:** China Power Construction Co., Ltd. accumulative new loans exceeded 60% of the audited consolidated net assets at the end of 2017.

Construction Materials

Bond Market

❑ **New Bond Issuance:** 10 new bonds were issued, raising totally RMB 10.8 billion, issuances were conducted in way of Public Offerings, with entity credit rating grades were AA+ or above.

❑ **Market Fluctuation:** None

❑ **Debt Maturity:** In November, 4 bonds rated by Dagong were matured, and duly honored.

Industry

❑ **Industrial Data:** During the period from January to October, 2018, infrastructure investment achieved its first rebound since this year; in October, China's cement production continued to rise, and cement prices continued to rise as the traditional demand peak season of the cement industry entered; the national glass price continued to decline slightly in October.

❑ **Industrial Policy:** PC32.5R cement will be officially cancelled on October 1, 2019.

(Remarks: Cancellation of PC32.5R can significantly reduce overcapacity and improve long-term supply and demand balance, which will help eliminate backward grinding capacity and standardize cement product quality and competitive environment.)

Enterprises

- ❑ **Rating Adjustment:** None
- ❑ **Corporate Default:** None
- ❑ **Cement:** Jidong Cement provides guarantee and financial support for the holding subsidiaries; some of the restricted shares of Jinhao Group are listed and circulated.
- ❑ **Waterproof Material:** Dongfang Yuhong: (1) implementation of share repurchase; (2) Partial shareholder's share pledge.

Retailing

Bond Market

- ❑ **New Bond Issuance:** 12 new bonds were issued, raising totally RMB 10.95 billion, the size of new bonds increased greatly, involved in 11 insurances with entity credit rating grades AAA or above.
- ❑ **Market Fluctuation:** None
- ❑ **Debt Maturity:** In November, 1 bond rated by Dagong was matured, the insurance is Changsha Tongcheng industrial (Group) co., Ltd.

Industry

- ❑ **Industrial Data:** From January to October 2018, the total retail sale of consumer goods was RMB 309.833 billion, a 9.2% increase YoY. In October 2018, CPI rose by 2.5% YoY and 0.2% MoM.
- ❑ **Industrial Policy:** The first China International Import Expo was held in Shanghai.
(Remarks: The Expo will provide important channels for domestic retailers to purchase goods and develop sources of supply, which will provide new opportunities for domestic retail enterprises.)
- ❑ **Industrial Policy:** "Several Opinions on Promoting New Retail Development (2018-2022) (Draft for Comment)" was released.
(Remarks: The new retail model provides a new direction for retail enterprises, and the introduction of local policies will promote the transformation of retail enterprises.)

Enterprises

- ❑ **Rating Adjustment:** On November 16, China Chengxin International downgraded entity grade of Hongtu High-Tech from AA- to A; on November 26, China Chengxin International further downgraded entity grade of Hongtu High-Tech to BBB-.
(Remarks: The weakening of financial indicators, the increase of liquidity pressure, the freezing of controlling shareholders' assets and the repayment of

principal and interest of subsequent bond financing instruments will increase the financial turnover and financing pressure of Hongtu High-Tech.)

❑ **Rating Adjustment:** On November 29th, China Chengxin Credit Credentials downgraded entity grade of Sanpower Group from A to BBB-.

(Remarks: Based on factors such as the delayed repurchase of the financial plan and the substantial default of the subordinate subsidiaries, the future credit risk of Sanpower Group will be further improved.)

❑ **Debt Default:** On November 15, the failure full repayment of “Huayang Economic and Trade” on the "18 Huayang Economic and Trade CP001" and "18 Huayang Economic and Trade CP002" constituted a substantial default. On November 26, the failure full repayment of “Hongtu Hi-Tech” failed on the “15 Hongtu MTN001” constituted a substantial default.

❑ **Corporate News:** “Huayang Economic” and Trade and “Hongtu High-Tech” had a material default; “Huayang Economic and Trade” had been sued for short-term liquidity.

Real Estate

Bond Market

❑ **New Bond Issuance:** 26 new bonds were issued, raising totally RMB 35.168 billion, a little decrease MoM in total issuing volume.

❑ **Market Fluctuation:** “16 countries to buy 01” repo has big uncertainty, the bond fell by 40.06%.

❑ **Debt Maturity:** 3 bonds were matured, and duly honored.

Industry

❑ **Industrial Data:** In October, the sales price of commercial housing remained stable overall, and the sales area of commercial housing and the growth rate of sales decreased MoM.

❑ **Industrial Policy:** Shenzhen City Planning and Land Resources Committee issued a notice on the solicitation of the "Shenzhen City Real Estate Market Supervision Measures (Revised Draft for Soliciting Opinions)".

(Remarks: Shenzhen City secondly revised the "Regulatory Measures" to adjust to the new situation and requirements, further standardize real estate development and operation, leasing, brokerage and valuation behavior, maintain the order of the real estate market, and promote the stable and healthy development of the real estate market.)

Enterprises

- ❑ **Rating Adjustment:** United Credit Rating Co., Ltd. downgraded the credit rating of China International Investment Co., Ltd. from AA to BBB.
- ❑ **Corporate Default:** "16 Hong Bond 01" failed to pay the principal and interest in full, which constitutes a substantial default.
- ❑ **New loan:** Jinke Real Estate Group Co., Ltd.'s accumulated new loans in 2018 accounted for 72.16% of the unaudited net assets in 2017.
- ❑ **Regulatory concern:** Due to the untimely disclosure of information, the Shanghai Stock Exchange issued a decision on the supervision of Tianjin Real Estate Development (Group) Co., Ltd. and its controlling shareholder and related responsible persons.

Oil refining

Bond Market

- ❑ **New Bond Issuance:** 6 new bonds were issued, raising totally RMB 12 billion, 4 issuances were conducted with each of 2 entity credit rating grades were AAA and AA.
- ❑ **Market Fluctuation:** In November, "16 Lutong02" had biggest decrease by 64.95%.
- ❑ **Debt Maturity:** In November, 2 bonds rated were matured with "15 Huhuaxin MTN001" and "15 Shihua 01", and duly honored on November 3 and November 19, 2018, respectively.

Industry

- ❑ **Industrial Data:** In November, international crude oil prices fluctuated between 50 and 65 US dollars per barrel, WTI crude oil prices continued to fall, and fell to 50.93 US dollars per barrel on November 30.
- ❑ **Industrial Policy:** Sinopec fully supplies 6 motor gasoline in Guangdong; the national census work of oil refinery officially started.

(Remarks: Since October, international crude oil prices have fallen sharply, and the pricing power of international oil prices has gradually shifted. The pricing mechanism of international oil prices represented by OPEC is changing, whose dominant position of oil prices is changing.)

Enterprises

- ❑ **Rating Adjustment:** On November 19, 2018, United Credit Rating Co., Ltd. downgraded entity credit rating of Pagoda Petrochemical Group Co., Ltd. from AA to A+, and downgraded the credit rating of "14 Ningbao Tower MTN001" and "14 Ningbao Tower MTN002" from AA to A+.
- ❑ **Corporate Default:** On November 5, "15 Huhuaxin MTN001" failed to repay the

principal and interest on time, which constituted a substantial default.

❑ **Corporate News:** Mr. Zhang Jianhua of China National Petroleum Corporation resigned as vice chairman, director and president due to job adjustment; Mr. Sun Yichao, the actual controller of Baota Petrochemical Group Co., Ltd., was suspected of criminal offence; Donghua Energy Co., Ltd. released 2018 1 Announcement of accumulated new loans in January - September.

(Remarks: The oversupply of domestic refined oil products is intensifying, and with the advent of large-scale refining and chemical projects, the competition in the refining and chemical industry is becoming more and more fierce; under the background of overcapacity, backward refining equipment will gradually be eliminated, and small and medium-sized refining and chemical enterprises will face formidable challenges.)