

2021 Issue 26

From July 12 to July 16

US maintains monetary easing amid high inflation;
Return on Chinese USD bonds rebounded

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Date:

July 21, 2021

Headline: US maintains monetary easing amid high inflation

The US CPI in June increased by 5.4% YoY, the core CPI rose 4.5% YoY, and the PPI surged 7.3% YoY. Despite the high inflation, Fed Chairman Powell reiterated the easing policy stance in the semi-annual testimony. He also said that, due to temporary factors, inflation has increased notably and will likely remain elevated in coming months before moderating.

The Bank of Japan kept interest rate targets unchanged at -0.1%, and revised down its growth forecast for 2021 to 3.8%.

Exchange Rate: RMB exchange rate declined slightly

The RMB exchange rate fluctuated downward slightly. As of July 16, the intermediate price of RMB exchange rate closed at 6.4705.

Interest Rate: Chinese Government Bond yields decreased; US Treasury yield curve flattened

Chinese Government Bond yields continued to decline given the RRR cut by the PBoC. The higher-than-expected inflation data in June drove up the US Treasury yields. Later, Fed Chairman Powell's dovish tone caused the US Treasury yields to fall. As of July 16, the yield spread between China and US 10-year note was 165.3bp, widening by 0.2bp from last Friday and narrowing by 61.2bp from the beginning of the year.

Chinese Offshore Bond Market**Primary Market: Chinese offshore bond issuance fell**

From July 12 to July 16, there were 13 new issues with a total issued volume of USD3.04 billion, decreasing by 42.3% from last week.

Secondary Market: Return on Chinese USD bonds rebounded

As of July 16, the YTD return on Chinese USD corporate bond index rose by 66bp from last Friday to -0.18%. The return on investment-grade bond rose by 52bp to 0.23%, and the return on high-yield bond rose by 100bp to -1.18%. The return on real estate bond rebounded significantly from 2021's low, and rose by 103bp to -2.16% from last Friday.

Rating Action: CCXAP upgrades Seazen's rating to BBB_g, with stable outlook**Panda Bond Market: Far East Horizon and Beijing Enterprises Water Group issued 3 Panda Bonds**

On July 12, Far East Horizon issued the first series of 2021 Medium-term Notes in the China Exchange Market through Bond Connect. Far East Horizon raised RMB0.5 billion, with a tenor of 2 years, at the coupon rate of 3.98%. CCXI assigned AAA to both the bond and the issuer. On July 14, Beijing Enterprises Water Group Limited raised RMB2 billion via its first series of 2021 Corporate Bond in Shanghai Exchange Market. This issuance included 2 tranches of bond, which the tenor of tranche 1 was 5NP3 at a coupon rate of 3.27%; and the tenor of tranche two was 5 years at a coupon rate of 3.64%.

Headline: US maintains monetary easing amid high inflation

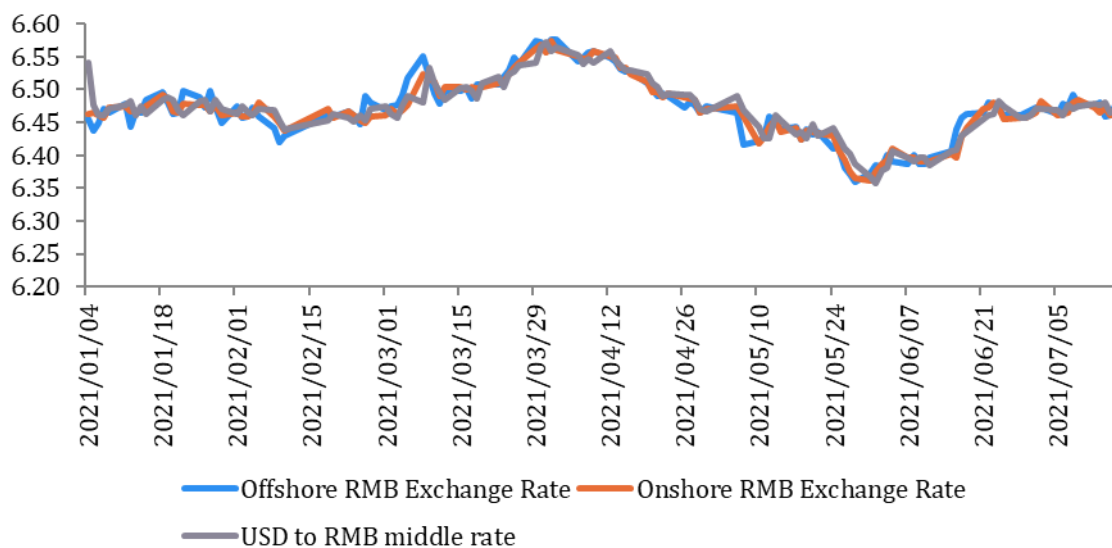
The US Labor Department reported that the consumer price index (“CPI”) in June increased by 5.4% YoY, the largest jump since August 2008; the core CPI rose 4.5% YoY, the sharpest move since September 1991; the producer price index (“PPI”) surged 7.3% YoY, the biggest rise since November 2010. The US CPI data demonstrated an uptrend since March 2021. Despite the high inflation, Fed Chairman Powell reiterated the easing policy stance in the semi-annual testimony, stating that the US economy was still a way off bond taper. He also said that, due to temporary factors, inflation has increased notably and will likely remain elevated in coming months before moderating.

The Bank of Japan kept interest rate targets unchanged at -0.1%, and revised down its growth forecast for 2021 to 3.8% and revised up its growth forecast for 2022 to 2.7%.

Exchange Rate: RMB exchange rate declined slightly

The RMB exchange rate fluctuated downward slightly. As of July 16, the intermediate price of RMB exchange rate closed at 6.4705, down 50bp from last Friday; the onshore RMB exchange rate decreased by 169bp to 6.4678; the offshore RMB exchange rate decreased by 19bp to 6.4768.

Figure 1 : RMB exchange rate

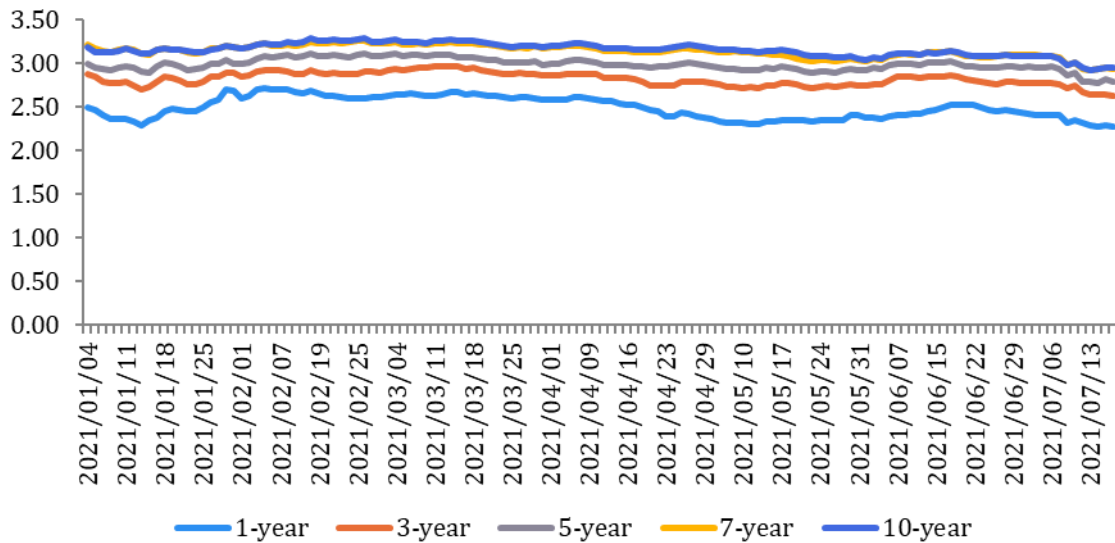


Sources: Wind, CCX research

Interest Rate: Chinese Government Bond yields decreased; US Treasury yield curve flattened

Chinese Government Bond yields continued to decline given the RRR cut by the PBoC. As of July 16, the 1-year, 3-year, 5-year, 7-year and 10-year Chinese Government Bond Yields closed at 2.2719%, 2.6301%, 2.7879%, 2.9404% and 2.9432%, respectively. China’s economy has recovered gradually, while a stable and reasonable liquidity is the key to support the struggle real economy and stimulate investments. This rate cut is considered as a fine-tuning of policy, and the PBoC is expected to maintain an accommodative monetary policy.

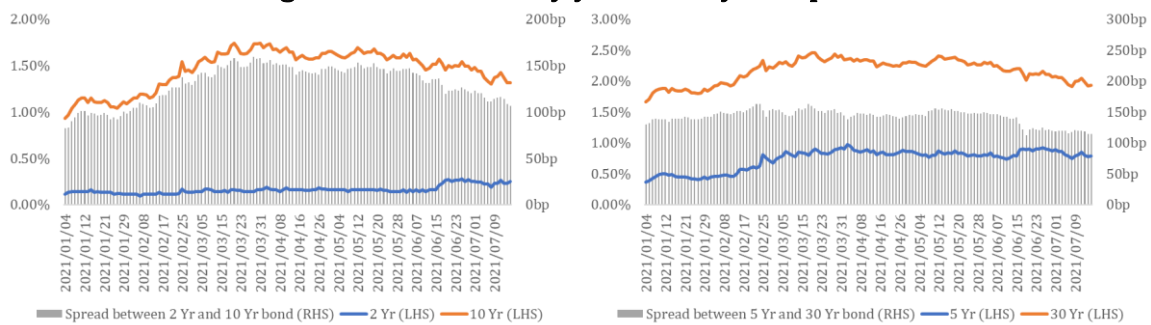
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

The higher-than-expected inflation data in June drove up the US Treasury yields. Later, Fed Chairman Powell said that the inflation was temporary, which will moderate after several months, and US economy was still a way off bond taper. The dovish tone caused the US Treasury yields to fall. As of July 16, the 2-year Treasury yield closed at 0.25%, increasing by 2bp from last Friday; 5-year Treasury yield flattened at 0.79%; 10-year and 30-year Treasury yields closed at 1.31% and 1.93%, decreasing by 6bp and 6bp from last Friday, respectively. In terms of Treasury yield spreads, the spread between the 2-year and 10-year narrowed by 8bp to 106bp, while the spread between the 5-year and 30-year narrowed by 6bp to 114bp.

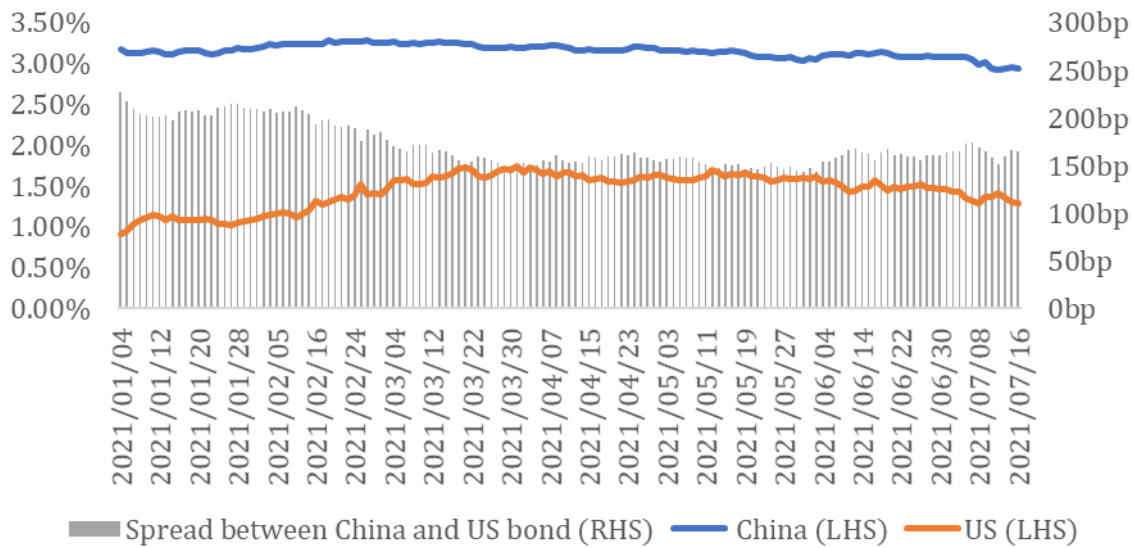
Figure 3 : US Treasury yields and yield spreads



Sources: US Department of the Treasury, CCX research

As of July 16, the yield spread between China and US 10-year note was 165.3bp, widening by 0.2bp from last Friday and narrowing by 61.2bp from the beginning of the year.

Figure 4 : Yield spread between China and US 10-year note



Sources: Bloomberg, ChinaBond.com.cn, CCX research

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond issuance fell

From July 12 to July 16, there were 13 new issues with a total issued volume of USD 3.04 billion, decreasing by 42.3% from last week.

Table 1 : New issuance of Chinese offshore bonds (20210712-20210716)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2021/7/12	GF Holdings Hong Kong Corp Ltd	USD	31	0	2021/10/16	92D	Financials	-/-/-	-/-/-
2021/7/12	Yuyao Shuncai Investment Holding Co Ltd	USD	100	2.5	2022/7/14	364D	Chengtou	-/-/BBB-	-/-/BBB-
2021/7/12	Zhejiang Provincial Energy Group Co Ltd	USD	500	1.737	2026/7/20	5	Utilities	A1/-/A+	A2/-/A+
2021/7/13	Sunac China Holdings Ltd	USD	400	6.8	2024/10/20	3.25	Real Estate	Ba3/BB/BB	-/BB-/BB
2021/7/14	Bank of China Ltd/Macau	USD	70	4.65	2026/1/19	4.51	Banks	A1/A/A	-/-/-
2021/7/14	Hopson Development Holdings Ltd	HKD	720	5.25	2022/7/20	364D	Real Estate	B2/B/B+	-/-/-
2021/7/15	Agile Group Holdings Ltd	USD	314	5.5	2025/4/21	3.75	Real Estate	Ba2/BB/-	Ba3/-/-
2021/7/15	CCB Financial Leasing Co Ltd	USD	600	1.8	2026/7/22	5	Financials	A1/A/A	A2/-/A
2021/7/15	China Minmetals Corp	USD	300	4.95	2026/7/22	5	Real Estate	Baa1/BBB+/BBB+	-/-/-
2021/7/15	Jiangsu Dieshiqiao Textile Industrial Group Co Ltd	USD	100	2.2	2024/7/20	3	Chengtou	-/-/-	-/-/-
2021/7/15	Kaisa Group Holdings Ltd	USD	200	8.65	2022/7/22	364D	Real Estate	B1/B/B	-/-/-
2021/7/16	China Development Bank Financial Leasing Co Ltd	USD	120	1.05	2022/7/21	363D	Financials	A1/A/A+	-/-/-
2021/7/16	Huzhou Moganshan Hi-tech Group Co Ltd	USD	210	3.5	2024/7/23	3	Chengtou	-/-/-	-/-/-

Sources: Bloomberg, CCX research

From July 12 to July 15, there were 4 real estate enterprises announced tap bond offering.

Table 2 : Tap bond offering (20210712-20210716)

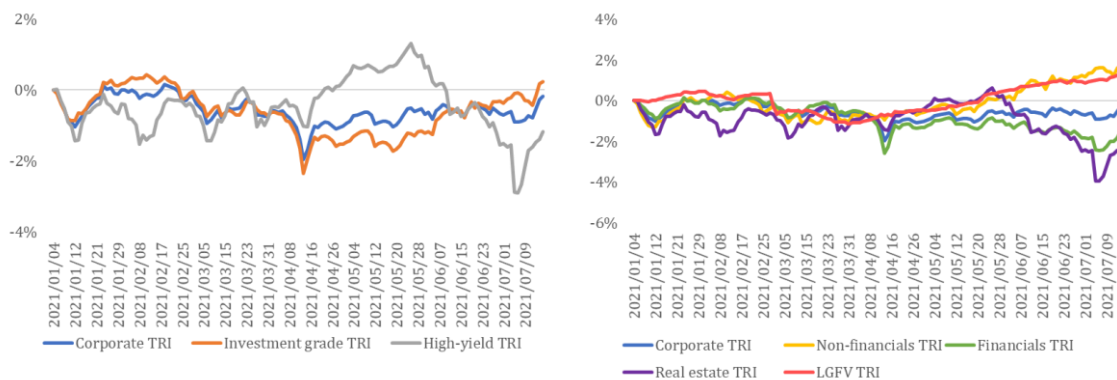
Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2021/7/13	Sunac China Holdings Ltd	USD	600 (reoffered 100)	6.5	2026/1/26	5	Real Estate	Ba3/BB/BB	B1/BB-/BB
2021/7/13	Country Garden Holdings Co Ltd	USD	700 (reoffered 200)	2.7	2026/7/12	5.5	Real Estate	Baa3/BB+/BBB-	Baa3/-/BBB-
2021/7/13	Far East Consortium International Ltd	USD	385 (reoffered 150)	5.1	2024/1/21	3	Real Estate	-/-/-	-/-/-
2021/7/15	Guangzhou R&F Properties Co Ltd	USD	675 (reoffered 175)	11.75	2023/8/2	2.5	Real Estate	B1/B/B+	-/-/ B+

Sources: Bloomberg, CCX research

Secondary Market: Return on Chinese USD bonds rebounded

As of July 16, the YTD return¹ on Chinese USD corporate bond index rose by 66bp from last Friday to -0.18%. The return on investment-grade bond rose by 52bp to 0.23%, and the return on high-yield bond rose by 100bp to -1.18%. In terms of sector indices, the return on real estate bond rebounded significantly from 2021's low, and rose by 103bp to -2.16% from last Friday; the returns on chengtou, financial, and non-financial bond were 1.35%, -1.37%, and -1.77%, increasing by 35bp, 86bp, and 32bp from last Friday, respectively.

Figure 5 : YTD return on Markit IBoxx Chinese USD bond index

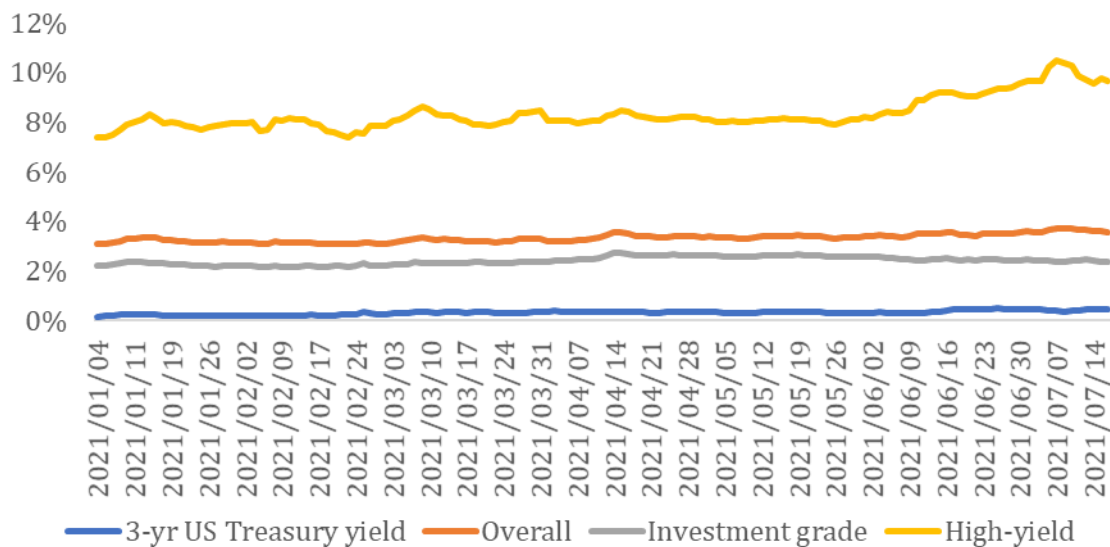


Sources: Bloomberg, CCX research

As of July 16, the yield-to-worst of Chinese dollar bonds fell by 12bp to 3.56% from last Friday, of which investment grade bond index fell by 6bp to 2.35% and high-yield bond index fell by 58bp to 9.66%.

¹ Year-to-date return measures the return since January 4, 2021

Figure 6 : Yield-to-worst of Bloomberg Barclays Chinese USD bond index



Sources: Bloomberg, CCX research

Rating Action: CCXAP upgrades Seazen’s rating to BBB_g, with stable outlook

On July 16, China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) upgraded Seazen Holdings Company Limited’s (“Seazen” or the “Company”) long-term credit rating to BBB_g from BBB_g⁻, with stable outlook; and its senior unsecured debt rating to BBB_g from BBB_g⁻. The upgrade is based on the Company’s large operating scale, growing recurring income, and improving financing capability, which enhance its debt servicing ability.

Table 3 : CCXAP’s rating action (20210712-20210716)

Date	Entity	Issuer Rating	Issue Rating	Rating Rationale
2021/7/16	Seazen Holdings Company Limited	BBB _g	BBB _g	The credit rating is underpinned by (1) large operation scale and leading market position in the Yangtze River Delta region; (2) growing recurring rental income from commercial property projects; (3) good financial metrics; and (4) strong liquidity profile. However, the rating is also constrained by (1) great exposure to the Yangtze River Delta region; and (2) large exposure to joint-venture and associate projects.

Source: CCX research

From June 12 to June 16, the rating agencies took positive rating actions on 3 Chinese issuers, and took negative rating actions on 22 Chinese issuers.

Table 4 : Credit rating changes of cross-border bond market (20210712-20210716)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrade	China Zheshang Bank Co Ltd	Banks	Baa3	STABLE	2021/7/12	Ba1	Rating Watch Positive	2021/4/14	Moody's	Reduced shadow banking exposure and improved funding and liquidity profile
	Jinan Urban Construction Group Co Ltd	Chengtou	Baa2	POS	2021/7/13	Baa2	STABLE	2020/11/30	Moody's	Decreasing contingent risk
	Lenovo Group Limited	Technology	BBB-	POS	2021/7/13	BBB-	STABLE	2020/10/14	S&P	Deleveraging and improving profitability
Downgrade	Liangshan Development (Holdings) Group Co., Ltd.	Chengtou	BB	Rating Watch Negative	2021/7/12	BB	STABLE	2020/7/14	Fitch	Potential weakened financial implications of default
	Sichuan Languang Development Co Ltd	Real Estate	D		2021/7/13	CCC-	NEG	2021/6/18	S&P	Missed bond repayment
	Baoji Investment Group Co Ltd	Chengtou	BB+	Rating Watch Negative	2021/7/13	BB+	STABLE	2021/5/17	Fitch	
	Guangxi Liuzhou Dongcheng Investment & Development Group Co Ltd	Chengtou	BB	Rating Watch Negative	2021/7/13	BB	STABLE	2020/8/25	Fitch	
	Hainan State Farms Investment Holdings Group Co Ltd	Consumer Staples	BBB+	Rating Watch Negative	2021/7/13	BBB+	STABLE	2021/1/20	Fitch	
	Hengyang HongXinag State-owned Investment (Holding) Group Ltd	Chengtou	BBB-	Rating Watch Negative	2021/7/13	BBB-	STABLE	2020/11/24	Fitch	Recent policy changes in China will cause adverse effects on the likelihood of state support
	Hubei Science Technology Investment Group Co Ltd	Chengtou	BBB+	Rating Watch Negative	2021/7/13	BBB+	STABLE	2021/1/20	Fitch	
	Jiangsu Fangyang Group Co Ltd	Chengtou	BB	Rating Watch Negative	2021/7/13	BB	STABLE	2020/9/9	Fitch	
	Kunming Municipal Urban Construction Investment & Development Co Ltd	Chengtou	BB+	Rating Watch Negative	2021/7/13	BB+	STABLE	2021/3/1	Fitch	
	Liuzhou Dongtong Investment & Development Co Ltd	Chengtou	BB	Rating Watch Negative	2021/7/13	BB	STABLE	2020/9/28	Fitch	
Nanjing Pukou Economic Development Co Ltd	Chengtou	BB	Rating Watch Negative	2021/7/13	BB	STABLE	2020/9/29	Fitch		

Shangrao Innovation Development Industry Investment Group Co Ltd	Chengtou	BB	Rating Watch Negative	2021/7/13	BB	STABLE	2020/10/15	Fitch	
Taizhou Huaxin Pharmaceutical Invetment Co Ltd	Chengtou	BB+	Rating Watch Negative	2021/7/13	BB+	STABLE	2021/1/20	Fitch	
Xinjiang Zhongtai Group Co Ltd	Materials	BB-	Rating Watch Negative	2021/7/13	BB-	STABLE	2021/2/2	Fitch	
Yancheng Oriental Investment & Development Group Co Ltd	Chengtou	BB-	Rating Watch Negative	2021/7/13	BB-	STABLE	2020/8/4	Fitch	
Zhengzhou Airport Economy Zone Xinggang Investment Group Co Ltd	Chengtou	BBB+	Rating Watch Negative	2021/7/13	BBB+	STABLE	2021/4/27	Fitch	
HBIS Group Co Ltd	Materials	BBB+	Rating Watch Negative	2021/7/13	BBB+	STABLE	2020/9/29	Fitch	
Jiuquan Iron & Steel Group Co Ltd	Materials	BBB-	Rating Watch Negative	2021/7/13	BBB-	STABLE	2020/10/29	Fitch	The number of defaults involving public debt instruments issued by GREs has risen; greater differentiation in state support
Inner Mongolia Baotou Steel Union Co Ltd	Materials	BB+	Rating Watch Negative	2021/7/13	BB+	STABLE	2020/10/28	Fitch	
Kunming Iron & Steel Holdings Co Ltd	Materials	BBB-	Rating Watch Negative	2021/7/13	BBB-	Rating Watch Evolving	2020/10/31	Fitch	
Yunnan Provincial Energy Investment Group Co Ltd	Utilities	BBB-	Rating Watch Negative	2021/7/13	BBB-	NEG	2020/10/32	Fitch	
Fantasia Holdings Group Co Ltd	Real Estate	B2	NEG	2021/7/16	B2	STABLE	2020/8/28	Moody's	Higher refinancing uncertainty amid tight credit conditions and volatile offshore capital markets

Domestic Rating:

Downgrade	Sichuan Languang Development Co Ltd	Real Estate	C	-	2021/7/12	B	NEG	2021/7/9	Golden Credit	Debt default
	Sichuan Languang Development Co Ltd	Real Estate	C	-	2021/7/12	B	Rating Watch Negative	2021/7/8	CCXI	Debt default
	Sichuan Languang Development Co Ltd	Real Estate	C	-	2021/7/13	CCC	NEG	2021/7/9	Dagong	Debt default

Sources: Bloomberg, Wind, CCX research

Panda Bond Market: Far East Horizon and Beijing Enterprises Water Group issued 3 Panda Bonds

On July 12, Far East Horizon Limited (“Far East Horizon”) issued the first series of 2021 Medium-term Notes in the China Exchange Market through Bond Connect. Far East Horizon raised RMB0.5 billion, with a tenor of 2 years, at the coupon rate of 3.98%. CCXI assigned AAA

to both the bond and the issuer. On July 14, Beijing Enterprises Water Group Limited raised RMB2 billion via its first series of 2021 Corporate Bond in Shanghai Exchange Market. This issuance included 2 tranches of bond, which the tenor of tranche 1 was 5NP3 at a coupon rate of 3.27%; and the tenor of tranche two was 5 years at a coupon rate of 3.64%.

As of July 16, there were 18 issuers that issued 40 panda bonds with a total issued amount of RMB60.4 billion and an average coupon rate of 3.48%. More than 60% of the bonds had a tenor of 3 years or above and more than 70% of the bonds were issued in the China Interbank Market.

Table 5 : New issuance of Panda Bond in 2021 (20210101-20210716)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
Beijing Enterprises Water Group Limited	1	3.27	2021/7/14	2026/7/14	5	Corporate Bond	Shanghai Exchange Market	Shanghai Brilliance Rating
Beijing Enterprises Water Group Limited	1	3.64	2021/7/14	2026/7/14	5	Corporate Bond	Shanghai Exchange Market	Shanghai Brilliance Rating
Far East Horizon Limited	0.5	3.98	2021/7/12	2023/7/12	2	MTN	China Interbank Market	China Chengxin
Bank of China Group Investment Limited	2.5	3.64	2021/6/24	2024/6/24	3	MTN	China Interbank Market	China Chengxin / Lianhe Credit
China Mengniu Dairy Company Limited	1.2	2.50	2021/6/24	2021/9/17	0.23	SCP	China Interbank Market	China Chengxin
China Mengniu Dairy Company Limited	0.8	2.65	2021/6/22	2021/12/16	0.48	SCP	China Interbank Market	China Chengxin
China Everbright Limited	4	3.70	2021/6/18	2024/6/18	3	MTN	China Interbank Market	China Chengxin
China Everbright Environment Group Limited	2	3.60	2021/6/15	2024/6/15	3	MTN	China Interbank Market	Lianhe Credit Rating
BMW Finance N.V.	1.5	3.03	2021/6/15	2022/6/15	1	CP	China Interbank Market	China Chengxin
BMW Finance N.V.	2	3.44	2021/6/15	2024/6/15	3	MTN	China Interbank Market	China Chengxin
GLP China Holdings Limited	2	4.30	2021/6/11	2026/6/11	5	Corporate Bond	Shanghai Exchange Market	Shanghai Brilliance Rating
China Traditional Chinese Medicine Holdings Co. Limited	1	2.65	2021/5/31	2022/2/25	0.74	SCP	China Interbank Market	--
Hengan International Group Company Limited	1	2.90	2021/5/25	2021/11/23	0.5	CP	China Interbank Market	China Chengxin
Daimler International Finance BV	2	3.77	2021/5/21	2024/5/21	3	PPN	China Interbank Market	--
Daimler International Finance BV	2	3.60	2021/5/21	2023/5/21	2	PPN	China Interbank Market	--
Yuexiu Transport Infrastructure Limited	0.5	3.84	2021/5/13	2028/5/13	7	Corporate Bond	Shanghai Exchange Market	China Chengxin
Yuexiu Transport Infrastructure Limited	1	3.48	2021/5/13	2026/5/13	5	Corporate Bond	Shanghai Exchange Market	China Chengxin
Hengan International Group Company Limited	1	2.90	2021/4/26	2021/10/23	0.5	SCP	China Interbank Market	China Chengxin

Beijing Enterprises Water Group Limited	1.5	3.98	2021/4/23	2029/4/23	8	MTN	China Interbank Market	Shanghai Brilliance Rating
China Power International Development Limited	2	3.54	2021/4/23	2024/4/23	3	MTN	China Interbank Market	China Chengxin
GLP China Holdings Limited	1.5	4.40	2021/4/22	2026/4/22	5	Corporate Bond	Shanghai Exchange Market	Shanghai Brilliance Rating
China Mengniu Dairy Company Limited	1	2.50	2021/4/19	2021/6/25	0.18	SCP	China Interbank Market	China Chengxin
Hengan International Group Company Limited	1	3.00	2021/4/15	2021/10/12	0.5	SCP	China Interbank Market	China Chengxin
China Mengniu Dairy Company Limited	1	2.50	2021/4/8	2021/6/25	0.21	SCP	China Interbank Market	China Chengxin
Hengan International Group Company Limited	1	3.08	2021/3/26	2021/9/23	0.5	SCP	China Interbank Market	China Chengxin
China Mengniu Dairy Company Limited	2	2.50	2021/3/26	2021/6/24	0.25	SCP	China Interbank Market	China Chengxin
New Development Bank	5	3.22	2021/3/25	2024/3/25	3	International Institution Bond	China Interbank Market	Lianhe Credit Rating
GLP China Holdings Limited	1.5	4.40	2021/3/25	2024/3/25	3	Corporate Bond	Shanghai Exchange Market	Shanghai Brilliance Rating
Daimler International Finance BV	2	3.80	2021/3/19	2024/3/19	3	PPN	China Interbank Market	--
Daimler International Finance BV	2	3.70	2021/3/19	2023/3/19	2	PPN	China Interbank Market	--
Crédit Agricole S.A.	1	3.50	2021/3/18	2024/3/18	3	Financial Bond	China Interbank Market	S&P China
GLP China Holdings Limited	1.5	4.40	2021/3/18	2024/3/18	3	MTN	China Interbank Market	Shanghai Brilliance Rating
SIIC Environment Holdings Ltd.	1.5	3.89	2021/3/15	2026/3/15	5	Corporate Bond	Shanghai Exchange Market	China Chengxin
Asian Development Bank	2	3.20	2021/3/11	2026/3/11	5	International Institution Bond	China Interbank Market	--
GLP China Holdings Limited	1.7	4.37	2021/3/8	2024/3/8	3	Corporate Bond	Shanghai Exchange Market	Shanghai Brilliance Rating
China Power International Development Limited	0.5	3.20	2021/2/8	2021/8/6	0.5	SCP	China Interbank Market	Golden Credit Rating
Yuexiu Transport Infrastructure Limited	1	3.78	2021/1/28	2026/1/28	5	MTN	China Interbank Market	China Chengxin
Yuexiu Transport Infrastructure Limited	1	3.63	2021/1/25	2026/1/25	5	Corporate Bond	Shanghai Exchange Market	China Chengxin
GLP China Holdings Limited	0.7	3.98	2021/1/25	2024/1/25	3	Corporate Bond	Shanghai Exchange Market	Shanghai Brilliance Rating
China Everbright Water Ltd	1	3.75	2021/1/15	2024/1/15	3	MTN	China Interbank Market	Shanghai Brilliance Rating

Sources: Bloomberg, CCX research

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