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From November 29 to December 3

Two departments solicited comments on panda bond fund management regulations

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Headline: Two departments solicited comments on panda bond fund management regulations

On December 2, the People's Bank of China and the State Administration of Foreign Exchange issued the "Regulations on the Fund Management of Domestic Bond Issuance by Overseas Institutions (Draft for Comments)" ("Draft for Comments") to further unify the regulation on fund management of the issuance of domestic RMB bonds by overseas institutions ("panda bond") to promote the healthy development of the panda bond market. The consultation draft unifies the fund management rules for foreign institutions on bond issuance in different domestic markets, and clarifies the management requirements for panda bond fund information registration, account opening, fund exchange and use. China Chengxin believes that the issuance volume of the panda bond market still has great upward potential. The Green, Social & Sustainability bonds will become a driving force in the panda bond market.

Exchange Rate: RMB exchange rate declined

The RMB exchange rate fluctuated downward. As of December 3, the RMB mid-point rate closed at 6.3738.

Interest Rate: Chinese Government Bond yields increased; US Treasury yields generally fell

The Chinese Government Bond yields increased during the week. The market risk aversion triggered by Omicron, coupled with the worse-than-expected US non-farm payroll in November, pushing US Treasury yields generally to fall. As of December 3, the yield spread between China and US 10-year note was 152.7bp, widening by 18bp from last Friday and narrowing by 73.8bp from the beginning of the year.

Chinese Offshore Bond Market**Primary Market: Chinese offshore bond issuance continued to fall**

From November 29 to December 3, there were 11 new issues with a total issued volume of USD2.4 billion, decreasing by 20.7% from last Friday. Among them, State Power Investment Corporation Limited was the largest issuer, with a total issued volume of USD1.2 billion.

Secondary Market: Returns on Chinese USD bonds continued to fall, real estate bonds had the biggest drop

As of December 3, the YTD return on Chinese USD corporate bond index decreased by 35bp from last Friday to -6.08%. The return on investment-grade bond rose by 17bp to 0.51%, and the return on high-yield bond fell by 174bp to -22.60%. In terms of sector indices, real estate bonds had the biggest drop, which fell by 217bp from last Friday to -28.67%.

Rating Actions: CCXAP assigns first-time AA_g rating to Industrial and Commercial Bank of China Limited's, with stable outlook**Risk Event: Subsidiary of Dr. Peng defaulted on USD bond; China Evergrande set up a Risk Management Committee****Panda Bond Market: No new issuance this week****Issuer Analysis: Bank of China Group Investment Limited**

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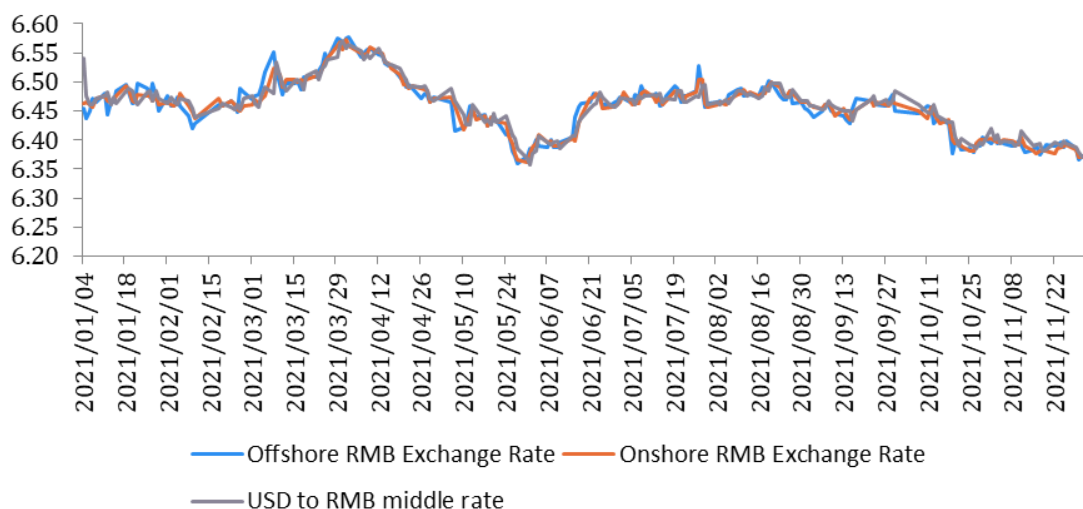
On December 2, the People's Bank of China and the State Administration of Foreign Exchange issued the "Regulations on the Fund Management of Domestic Bond Issuance by Overseas Institutions (Draft for Comments)" ("Draft for Comments") to further unify the regulation on fund management of the issuance of domestic RMB bonds by overseas institutions ("panda bond") to promote the healthy development of the panda bond market. The consultation draft unifies the fund management rules for foreign institutions on bond issuance in different domestic markets. Meanwhile, it clarifies the management requirements for panda bond fund information registration, account opening, fund exchange and use. The first is the integrated management of domestic and foreign currencies, and no restrictions on domestic or overseas remittances for funds raised from panda bonds, and the use in the form of RMB is encouraged. The second is the registration of capital information, the foreign institutions can open special accounts after registering at the account-opening bank for the collection and use of funds raised from bond issuance. For domestic bond issuance in installments, it is allowed to register at one time and share a special bond issuance account to facilitate the overall management of bond issuance funds by overseas institutions. The third is to allow foreign institutions to conduct foreign exchange hedging transactions on panda bonds in the domestic market to manage exchange rate risks.

China Chengxin believes that the issuance volume of the panda bond market still has great upward potential. With the gradual formation of a green consensus on international debt governance, China's green bond market rules have become increasingly clear, the issuance infrastructure has been continuously improved, and the activity of service institutions has increased. The Green, Social & Sustainability bonds will become a driving force in the panda bond market.

Exchange Rate: RMB exchange rate declined

The RMB exchange rate fluctuated downward. As of December 3, the RMB mid-point rate closed at 6.3738, decreased by 198bp from last Friday; the onshore RMB exchange rate went down by 223bp to 6.3690; the offshore RMB exchange rate decreased by 239bp to 6.3733.

Figure 1 : RMB exchange rate

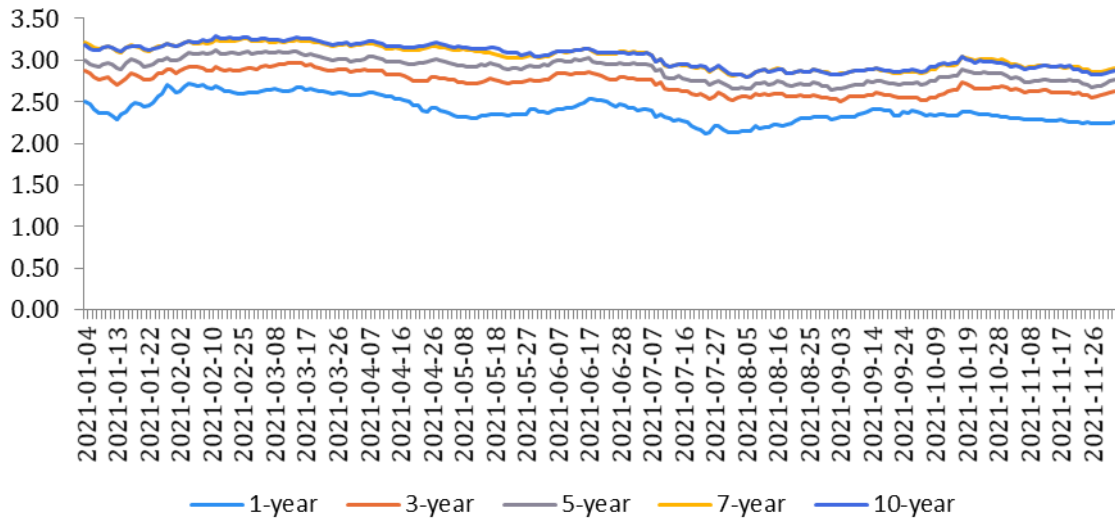


Sources: Wind, CCX research

Interest Rate: Chinese Government Bond yields increased; US Treasury yields generally fell

The Chinese Government Bond yields increased during the week. As of December 3, the 1-year, 3-year, 5-year, 7-year and 10-year Chinese Government Bond yields fluctuated downward comparing to last Friday, closed at 2.2550%, 2.6240%, 2.7573%, 2.8998% and 2.8701%, respectively.

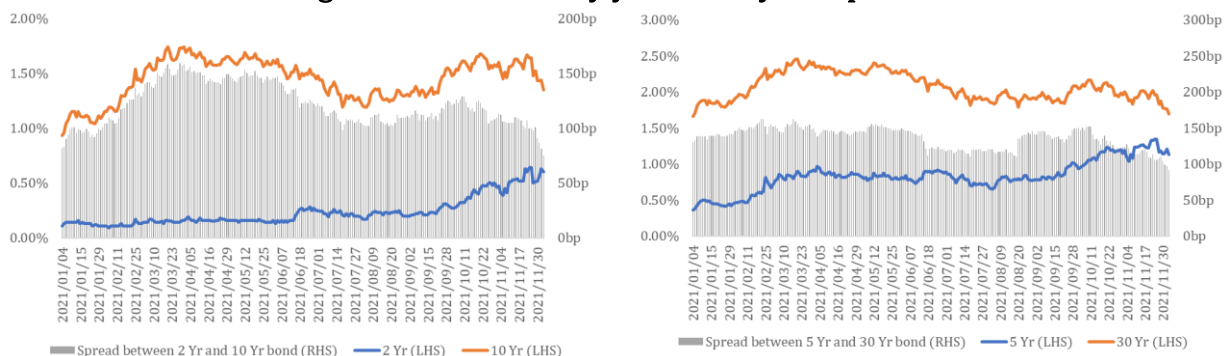
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

The market risk aversion triggered by Omicron, coupled with the worse-than-expected US non-farm payroll in November, pushing US Treasury yields generally to fall. As of December 3, 2-year Treasury yield increased by 10bp to 0.6%; 5-year, 10-year, and 30-year Treasury yields closed at 1.13%, 1.35%, and 1.69%, decreasing by 3bp, 13bp and 14bp from last Friday, respectively. In terms of Treasury yield spreads, the spread between the 2-year and 10-year narrowed by 23bp to 75bp, while the spread between the 5-year and 30-year narrowed by 17bp to 91bp.

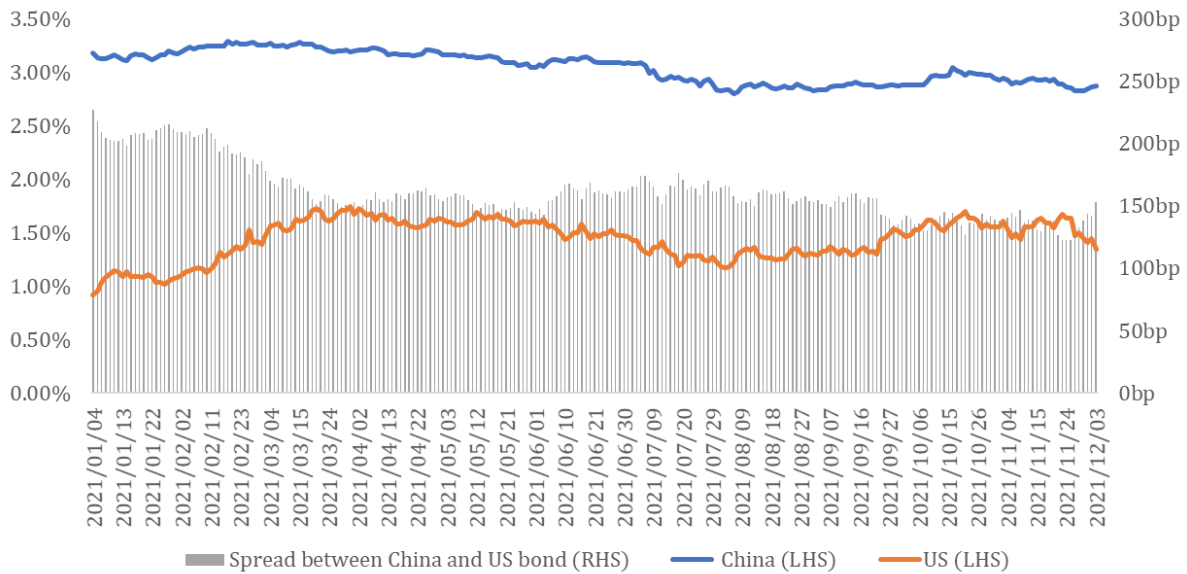
Figure 3 : US Treasury yields and yield spreads



Sources: US Department of the Treasury, CCX research

As of December 3, the yield spread between China and US 10-year note was 152.7bp, widening by 18bp from last Friday and narrowing by 73.8bp 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 continued to fall

From November 29 to December 3, there were 11 new issues with a total issued volume of USD2.4 billion, decreasing by 20.7% from last Friday. Among them, State Power Investment Corporation Limited was the largest issuer, with a total issued volume of USD1.2 billion.

Table 1 : New issuance of Chinese offshore bonds (20211129-20211203)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2021/11/29	Jiande State-Owned Assets Management Co Ltd	USD	90	4.85	2024/12/6	3	Chengtou	-/-/-	-/-/-
2021/11/29	Qingdao Development Investment Construction Group Co Ltd	USD	50	4.6	2024/12/6	3	Chengtou	-/-/-	-/-/-
2021/11/30	Chengdu Economic & Technological Investment Group Co Ltd	USD	300	5.3	2024/12/7	3	Chengtou	Ba2/-/-	Ba2/-/-
2021/11/30	Pingdingshan Tianan Coal Mining Co Ltd	USD	100	2.8	2022/12/5	364D	Energy	-/-/-	-/-/-
2021/11/30	Tieling Public Assets Investment & Management Group Co Ltd	CNY	930	9.1	2024/12/6	3	Chengtou	-/-/-	-/-/-
2021/11/30	Tieling Public Assets Investment & Management Group Co Ltd	USD	70	9.2	2024/12/6	3	Chengtou	-/-/-	-/-/-
2021/12/1	Haitong International Securities Group Ltd	USD	100	0.75	2022/12/7	364D	Financials	Baa2/BBB/-	-/-/-
2021/12/1	Taizhou Sanfu Heavy Industry Group Co Ltd	USD	100	1.9	2024/12/7	3	Financials	-/-/-	-/-/-
2021/12/2	State Power Investment Corporation Limited	USD	1,200	3.45	-	Perpetual	Utilities	A2/A-/A	Baa1/-/-
2021/12/3	Haitong International Securities Group Ltd	HKD	800	0.65	2022/6/13	182D	Financials	Baa2/BBB/-	-/-/-

2021/12/3 Ningbo Nanbin Group Co Ltd USD 100 3.5 2024/12/8 3 Chengtou -/-/- -/-/-

Sources: Bloomberg, CCX research

On December 3, Industrial & Commercial Bank of China Ltd, Sydney Branch announced tap bond offering.

Table 2 : Tap bond offering (20211129-20211203)

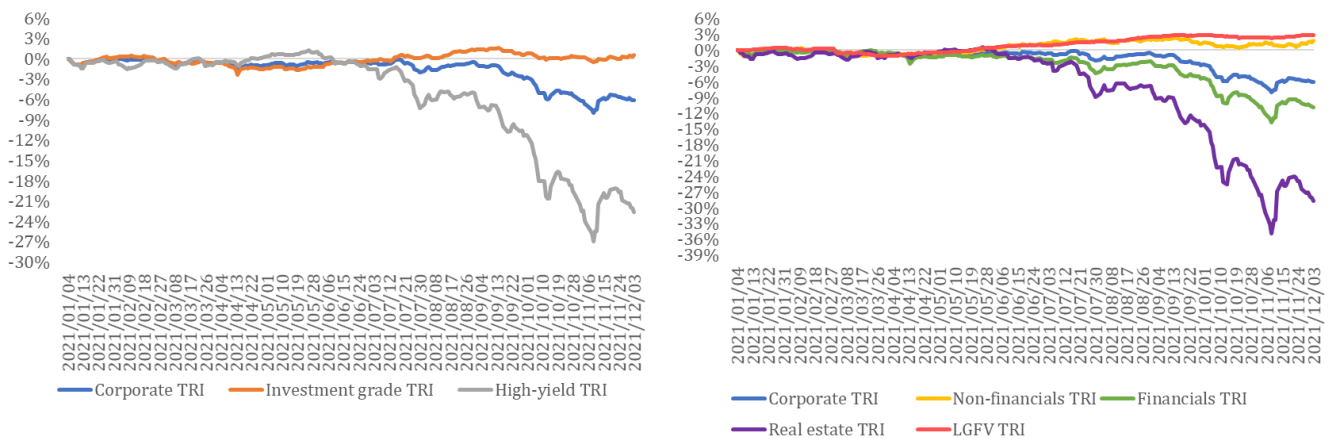
Pricing date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2021/12/3	Industrial & Commercial Bank of China Ltd/Sydney	AUD	30 (reoffered 3)	1.39	2026/9/25	5.25	Banks	A1/A/A	-/-/-

Sources: Bloomberg, CCX research

Secondary Market: Returns on Chinese USD bonds continued to fall, real estate bonds had the biggest drop

As of December 3, the YTD return¹ on Chinese USD corporate bond index decreased by 35bp from last Friday to -6.08%. The return on investment-grade bond rose by 17bp to 0.51%, and the return on high-yield bond fell by 174bp to -22.60%. In terms of sector indices, real estate bonds had the biggest drop, which fell by 217bp from last Friday to -28.67%; the return on financial bond fell by 78bp to -10.91%; the return on non-financial and Chengtou bonds were 1.73% and 2.85%, increased by 33bp and 7bp from last Friday, respectively.

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

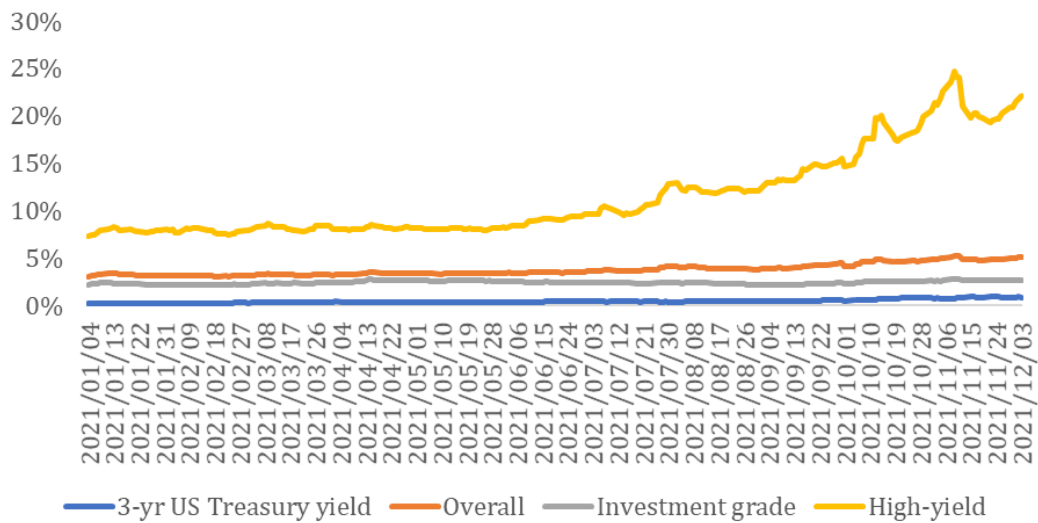


Sources: Bloomberg, CCX research

As of December 3, the yield-to-worst of Chinese dollar bonds increased by 19bp to 5.04% from last Friday, of which investment grade bond index increased by 2bp to 2.62%, and high-yield bond index increased by 187bp to 22.08%.

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 Actions: CCXAP assigns first-time AA_g rating to Industrial and Commercial Bank of China Limited’s, with stable outlook

On December 1, China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time AA_g global-scale long-term credit rating to Industrial and Commercial Bank of China Limited (“ICBC” or the “Bank”), with stable outlook.

Table 3 : CCXAP’s rating action (20211129-20211203)

Date	Entity	Issuer Rating	Rating Rationale
2021/12/1	ICBC	AA _g	The credit rating is underpinned by the Bank’s (1) leading market position in China; (2) resilient capital position with good internal capital accumulation; and (3) good funding structure and sufficient liquidity resources. However, the rating is also constrained by (1) the economic disruptions caused by the COVID-19 outbreak, which challenges ICBC’s profitability; and (2) the decelerating economic recovery and repaid expansion in inclusive finance, putting pressure on the Bank’s asset quality.

Source: CCX research

From November 29 to December 3, the rating agencies took positive rating actions on 1 Chinese issuer, and took negative rating actions on 7 Chinese issuers.

Table 4 : Credit rating changes of cross-border bond market (20211129-20211203)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrade	China Huarong Asset Management Co Ltd	Financials	Baa2	STABLE	2021/11/29	Baa2	RWN	2021/8/23	Moody's	Planned recapitalization through an equity placement

Neutral	China Huarong Financial Leasing Co Ltd	Financials	Baa3	Raing Under Review	2021/11/29	Baa3	RWN	2021/8/25	Moody's	Uncertainty in its shareholding structure
	Honghua Group Ltd	Industrials	B	RWN	2021/11/30	B	STABLE	2021/5/25	Fitch	Proposed Shareholder Change
Downgrade	Radiance Group Co Ltd	Real Estate	B+	STABLE	2021/12/1	B+	POS	2021/10/20	Fitch	Slowdown in contracted sales and weakened financial flexibility
	Beijing Hongkun Weiye Real Estate Development Co Ltd	Real Estate	CCC+	-	2021/12/1	B	NEG	2021/10/20	Fitch	Limited access to capital-market funding
	Honghua Group Ltd	Industrials	B1	NEG	2021/12/2	B1	STABLE	2021/4/22	Moody's	Slow deleveraging
	KWG Group Holdings Ltd	Real Estate	B+	RWN	2021/12/3	BB-	STABLE	2021/10/20	Fitch	Decreasing financial flexibility
	Shinsun Holdings Group Co Ltd	Real Estate	BB-	NEG	2021/12/3	BB-	STABLE	2021/5/12	Lianhe Global	Deteriorating access to financing channels
Domestic Rating:										
Downgrade	Beijing Hongkun Weiye Real Estate Development Co Ltd	Real Estate	AA-	NEG	2021/11/29	AA	NEG	2021/6/28	Lianhe	Shrinking access to financing channels, increasing liquidity pressure
	Yunnan Health & Cultural Tourism Holding Group Co Ltd	Industrials	AAA	NEG	2021/12/1	AAA	STABLE	2021/6/25	Lianhe	Facing concentrated repayment pressure and refinancing pressure
	Jiangxi Zhengbang Technology Co Ltd	Consumer Staples	AA	STABLE	2021/12/3	AA+	STABLE	2021/6/28	Gloden Credit	Lower profitability, increasing liquidity pressure

Sources: Bloomberg, Wind, CCX research

Risk Event: Subsidiary of Dr. Peng defaulted on USD bond; China Evergrande set up a Risk Management Committee

On December 1, Dr. Peng Telecom & Media Group Co., Ltd. ("Dr. Peng" or the "Company") announced that, due to tight liquidity, Dr. Peng Hong Kong, its subsidiary, missed principal and interest payments of USD60.766 million on an offshore bond with outstanding amount of USD245 million due December 1, 2022, constituting a material default.

On December 2, China Aoyuan Group Limited ("China Aoyuan" or the "Company") announced that, the Company has received notice from creditors in respect of financings that have an aggregate principal amount of approximately USD651.2 million under which the Company or members of the Group are a borrower or a guarantor demanding payment as a result of the ratings downgrades. Currently, the Company has not made such payments or reached an agreement with respect to alternative payment arrangements with such creditors.

On December 3, China Evergrande Group ("China Evergrande" or the "Company") announced that, in light of the current liquidity status of the Company, there was no guarantee that the Company would have sufficient funds to continue to perform its financial obligations. In addition, the Company received a demand to perform its obligations under a guarantee in the amount of approximately USD260 million. In the event that the Company was unable to meet its guarantee obligations or certain other financial obligations, it might lead to creditors demanding acceleration of repayment. On December 6, China Evergrande announced that, in view of the operational and financial challenges the Company is facing, the board of directors of the Company resolved to set up a Risk Management Committee.

Panda Bond Market: No new issuance this week

Table 5 : New issuance of Panda Bond in 2021 (20210101-20211203)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
BMW Finance N.V.	1	2.9	2021/11/25	2022/11/25	1	CP	China Interbank Market	China Chengxin
BMW Finance N.V.	1.5	3.28	2021/11/25	2024/11/25	3	MTN	China Interbank Market	China Chengxin
Asian Development Bank	1	2.78	2021/11/25	2026/11/25	5	International Institution Bond	China Interbank Market	--
Far East Horizon Limited	0.15	4.04	2021/11/18	2023/11/18	2	MTN	China Interbank Market	China Chengxin
SIIC Environment Holdings Ltd.	1.5	3.40	2021/11/15	2026/11/15	5	Corporate Bond	Shanghai Exchange Market	China Chengxin
China Power International Development Limited	1	2.88	2021/11/2	2022/7/29	0.74	SCP	China Interbank Market	Golden Credit Rating
Shenzhen International Holdings Limited	4	3.29	2021/10/29	2027/10/29	6	Corporate Bond	Shenzhen Exchange Market	Lianhe Credit
Far East Horizon Limited	0.3	4.06	2021/10/27	2023/10/27	2	MTN	China Interbank Market	China Chengxin
China Power International Development Limited	1	3.39	2021/10/22	2024/10/22	3	MTN	China Interbank Market	Golden Credit Rating
GLP China Holdings Limited	0.7	4.3	2021/10/17	2026/10/17	5	Corporate Bond	Shanghai Exchange Market	Shanghai Brilliance Rating
Republic of Poland	3	3.20	2021/10/15	2024/10/15	3	International Institution Bond	China Interbank Market	China Chengxin
China Power International Development Limited	2	3.47	2021/10/13	2024/10/13	3	MTN	China Interbank Market	Golden Credit Rating
China Mengniu Dairy Company Limited	1.5	2.55	2021/9/28	2021/12/22	0.23	SCP	China Interbank Market	China Chengxin
Daimler International Finance BV	2	3.1	2021/9/27	2023/9/27	2	MTN	China Interbank	--

							Market	
Daimler International Finance BV	2	3.1	2021/9/27	2024/9/27	3	MTN	China Interbank Market	--
New Development Bank	2	3.02	2021/9/17	2026/9/17	5	International Institution Bond	China Interbank Market	China Chengxin
Crédit Agricole S.A.	1	3.14	2021/9/17	2024/9/17	3	Financial Bond	China Interbank Market	S&P China
BMW Finance N.V	2	3.15	2021/9/16	2024/9/16	3	MTN	China Interbank Market	China Chengxin
BMW Finance N.V	1.5	3.1	2021/9/16	2023/9/16	2	MTN	China Interbank Market	China Chengxin
China Mengniu Dairy Company Limited	2.5	2.55	2021/8/30	2021/11/19	0.22	SCP	China Interbank Market	China Chengxin
China Mengniu Dairy Company Limited	2.5	2.55	2021/8/30	2021/11/26	0.24	SCP	China Interbank Market	China Chengxin
Far East Horizon Limited	0.7	3.78	2021/8/30	2023/8/30	2	MTN	China Interbank Market	China Chengxin
GLP China Holdings Limited	1.2	4.30	2021/8/23	2026/8/23	5	Corporate Bond	Shanghai Exchange Market	Shanghai Brilliance Rating
China Everbright Water Limited	0.8	2.40	2021/8/10	2021/12/8	0.33	SCP	China Interbank Market	Shanghai Brilliance Rating
China Mengniu Dairy Company Limited	0.5	2.50	2021/8/4	2021/10/29	0.24	SCP	China Interbank Market	China Chengxin
China Power International Development Limited	0.5	2.63	2021/8/3	2022/3/1	0.58	SCP	China Interbank Market	China Chengxin
China Everbright Greentech Limited	1	3.50	2021/7/28	2026/7/28	5	MTN	China Interbank Market	Lianhe Credit
Luso International Banking Limited	1.5	3.28	2021/7/27	2024/7/27	3	Financial Bond	China Interbank Market	Lianhe Credit
China Mengniu Dairy Company Limited	2	2.60	2021/7/27	2021/12/9	0.37	SCP	China Interbank Market	China Chengxin
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
SHC Environment Holdings Ltd.	1.5	3.89	2021/3/15	2026/3/15	5	Corporate Bond	Shanghai Exchange	China Chengxin

							Market		
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

Issuer Analysis: Bank of China Group Investment Limited

Issuer profile: Bank of China Group Investment Limited (hereinafter referred to as “BOCGI”), wholly-owned subsidiary of Bank of China, which is the main platform for Bank of China to carry out direct investment and investment management businesses. BOCGI was incorporated in Hong Kong in December 1984, formerly known as China Construction Investment (Hong Kong) Co., Ltd. Since its establishment, Bank of China has increased the company’s capital several times and provided guarantees for the company’s overseas bond issuance, which highlighted BOCGI’s strategic position in the BOC Group. The corporate equity investment, fund investment and management, real estate investment and management, and non-performing asset investment are the four major investment businesses of BOCGI. In addition, the company conducts aircraft leasing and life insurance businesses through its holdings of BOC Aviation Leasing Co., Ltd. and BOC Samsung Life Insurance Co., Ltd. In 2020, the company’s revenue grew against the trend during the epidemic, recording total revenue of HKD33.73 billion with 14.31% year-on-year increase. From the perspective of income composition, in 2020, the proportion of aircraft leasing business income declined, but still was the company’s largest source of income, accounting for 45.5%. Also, the proportion of insurance business income increased to 28.4%. Moreover, the total income of four major investment businesses accounted for 22.9%. The remaining was the other income, accounting for 3.2%. Overall, the Bank of China has strong investment capital and investment capabilities. Under the pandemic, the company’s income level is growing against the trend with expanding scale of profit. At the same time, the parent company has strong support capabilities and willingness. However, attentions should be paid to the fact that BOCGI’s investment business is greatly affected by the macro environment and capital market fluctuations, that the aviation leasing business is facing challenges, and that the asset-liability ratio continues to grow.

Issuance history: BOCGI is one of the earliest issuers in the Panda Bond market. Since June 2017, it issued five panda bonds in total with 3-year tenor in the years 2017, 2018, 2020, and

2021, raising a total amount of RMB8.5 billion. Usage of proceeds is mainly for supplementing corporate liquidity and repaying outstanding bank loans and bonds. Except for a corporate bond issued on the exchange market in June 2018, the other bond issuance venues are all in the China Interbank Exchange Market, and the bond types are all Medium-Term Notes. From the perspective of issuance cost, the spread of the Corporate Bond is reached the highest at 152bp, while the most recent issuance enjoys a record low spread at 87bp. BOCGI 's average coupon rate is 3.95%, and the average spread is 113bp.

Table 6: Historical Issuance of Bank of China Group Investment Limited in the Panda Bond Market

No.	Issuer	Issue date	Maturity	Tenor	Amount (RMB billion)	Coupon (%)	Spread (BP)	Use of Proceeds	Bond Type	Issue Market
1	Bank of China Group Investment Limited	2021/6/24	2024/6/24	3	2.5	3.64	87	Repayment of domestic bank loans	MTN	China Interbank Market
2	Bank of China Group Investment Limited	2020/5/8	2023/5/8	3	1.5	2.70	115	Repayment of maturing medium-term notes	MTN	China Interbank Market
3	Bank of China Group Investment Limited	2018/12/19	2021/12/19	3	2	4.13	121	Repayment of domestic bank loans	MTN	China Interbank Market
4	Bank of China Group Investment Limited	2018/6/19	2021/6/19	3	1	4.90	152	Supplementary working capital	Corporate Bond	Shanghai Exchange Market
5	Bank of China Group Investment Limited	2017/6/26	2020/6/26	3	1.5	4.40	90	Repayment of domestic bank loans	MTN	China Interbank Market

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