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From January 3 to January 7

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Fed minutes suggested hawkish turn, US treasury yields rose rapidly

Headline: Fed minutes suggested hawkish turn

On Wednesday, the Fed released the minutes of its policy meeting held on December 14 to 15, 2021. The minutes showed that the Fed kept the current benchmark interest rate unchanged, and announced to accelerate the reduction of bond purchases. Fed changed description of inflation as 'temporary', and the Fed emphasized that interest rate hikes should take into account whether full employment is achieved. The Fed revised up the economic growth rate in 2022 to 4.0% and revised up the US core PCE inflation rates in 2022 to 2.7%. Most of the Fed members expected at least three rate hikes in 2022. In addition, the minutes signaled the path of monetary policy normalization (i.e. quantitative tightening, QT).

Exchange Rate: RMB exchange rate fluctuated slightly

The RMB exchange rate continued to fluctuate slightly. As of January 7, the RMB mid-point rate closed at 6.3742, dropped by 15bp from last Friday.

Interest Rate: China Government Bond yields generally rose; US treasury yields rose rapidly

This week, China Government Bond yields generally rose, while the 1-year China Government Bond yields dropped slightly. The minutes of the Fed's December FOMC monetary policy meeting showed that the rate hike may be earlier than expected, and the speed of tapering may be faster than the previous cycle, US treasury yields rose sharply. As of January 7, the yield spread between China and US 10-year note was 105.6bp, narrowing by 20.9bp from last Friday and narrowing by 120.9bp from the beginning of the year.

Chinese Offshore Bond Market**Primary Market: Chinese offshore bond issuance rebounded at the beginning of the year**

From January 1 to January 7, there were 9 new issues with a total issued volume of USD1.0 billion, increasing by 129.5% from last Friday.

Secondary Market: Return on Chinese USD bond dropped; Real estate bond had the biggest drop

As of January 7, the YTD return on Chinese USD corporate bond index decreased by 146bp from last Friday to -7.34%. The return on investment-grade bond decreased by 73bp to -0.37%, and the return on high-yield bond decreased by 336bp to -24.82%. In terms of sector indices, real estate bonds had the biggest drop, which decreased by 449bp from last Friday to -32.22%.

Rating Action: Several real estate companies rolled over their offshore bonds**Panda Bond Market: No New issuance this week****Issuer Analysis: China Traditional Chinese Medicine Co. Limited**

Headline: Fed minutes suggested hawkish turn

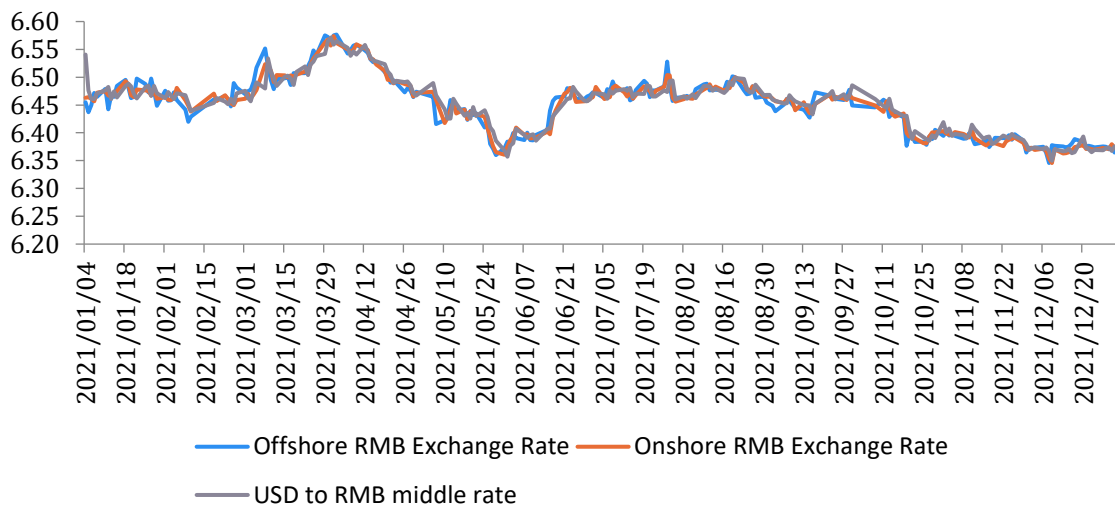
On Wednesday, the Fed released the minutes of its policy meeting held on December 14 to 15, 2021, which showed that the Fed may raise interest rates "earlier or faster" than previously expected, given the "very tight" labor market and high inflation.

The minutes showed that the Fed kept the current benchmark interest rate unchanged, and announced to accelerate the reduction of bond purchases, cut monthly bond purchases by USD30 billion, twice as much as before. Fed changed description of inflation as 'temporary', saying inflation rises to last longer than expected, and the Fed emphasized that interest rate hikes should take into account whether full employment is achieved. The Fed revised up the economic growth rate in 2022 to 4.0% and revised down the economic growth rate in 2023 to 2.2% (previously 3.8% and 2.5%), and revised up the US PCE and core PCE inflation rates in 2022 to 2.6% and 2.7%, respectively (previously 2.3% and 2.2%). In terms of the dot plot, 12 of the 18 Fed members expected at least three rate hikes in 2022, three and two rate hikes in 2023 and 2024, respectively. In addition, the minutes signaled the path of monetary policy normalization (i.e. quantitative tightening, QT). Fed members said the balance sheet reduction could begin sometime after the central bank starts raising interest rates.

Exchange Rate: RMB exchange rate fluctuated slightly

This week, the RMB exchange rate continued to fluctuate slightly. As of December 31, As of January 7, the RMB mid-point rate closed at 6.3742, fell by 15bp from last Friday; the onshore RMB exchange rate increased by 9bp to 6.3739; the offshore RMB exchange rate increased by 185.5bp to 6.3829.

Figure 1 : RMB exchange rate



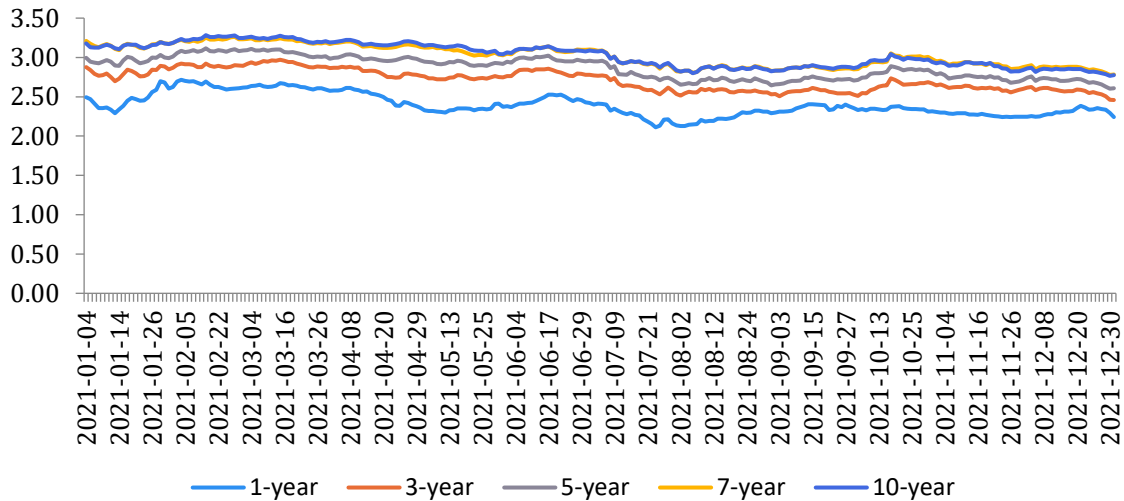
Sources: Wind, CCX research

Interest Rate: Chinese Government Bond yields generally up, US treasury yields fluctuated rose rapidly

The Chinese Government Bond yields all dropped this week. As of December 31, the 1-year, 3-year, 5-year, 7-year, and 10-year Chinese Government Bond yields fluctuated downward

compared to last Friday, closed at 2.2429%, 2.4584%, 2.6092%, 2.7824%, and 2.7754% respectively. On December 30, the 10-year Chinese government bond hit a new low this year, falling to 2.7654%. This week, the central bank carried out a total of 650 billion yuan of reverse repurchase and a full-caliber net investment of 530 billion yuan. The market liquidity tends to be loose.

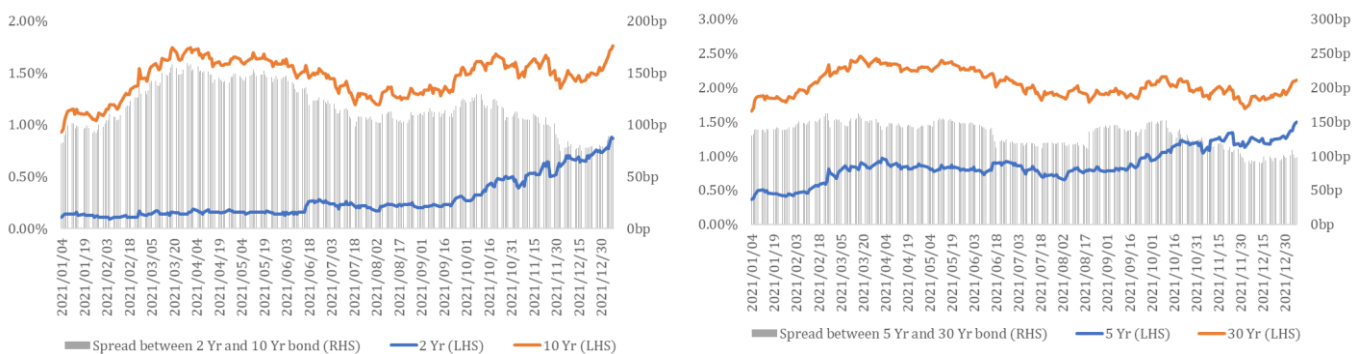
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

The minutes of the Fed's December FOMC monetary policy meeting showed that the rate hike may be earlier than expected, and the speed of tapering may be faster than the previous cycle, US treasury yields rose sharply. As of January 7, 2-year Treasury yield, 5-year, 10-year and 30-year Treasury yields closed at 0.87%, 1.50%, 1.76% and 2.11%, increasing by 14bp, 24bp, 24bp and 21bp from last Friday respectively. In terms of Treasury yield spreads, spread between the 2-year and 10-year widened by 10bp to 89bp, and spread between the 5-year and 30-year widened by 1bp to 98bp.

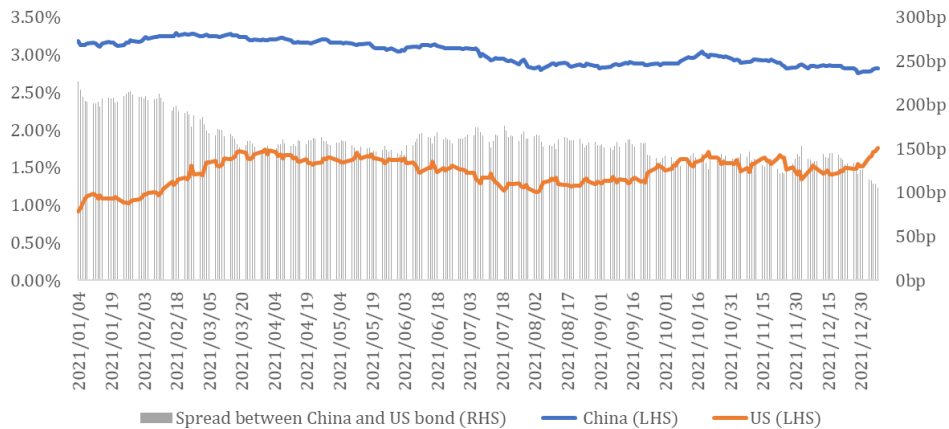
Figure 3 : US Treasury yields and yield spreads



Sources: US Department of the Treasury, CCX research

As of January 7, the yield spread between China and US 10-year note was 105.6bp, narrowing by 20.9bp from last Friday and narrowing by 120.9bp 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 rebounded at the beginning of the year

From January 1 to January 7, there were 9 new issues with a total issued volume of USD1.0 billion, increasing by 129.5% from last Friday.

Table 1 : New issuance of Chinese offshore bonds (20220103-20220107)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2022/1/4	Guotai Junan International Holdings Ltd	USD	300	1.05	2022/12/16	340D	Financials	Baa2/BBB+/-	-/-/-
2022/1/4	Huatai International Finance Ltd	USD	100	0.65	2022/4/18	90D	Financials	-/BBB/-	-/-/-
2022/1/5	Yancheng High-tech Zone Investment Group Corp Ltd	USD	100	2	2025/1/10	3	Chengtou	-/-/-	-/-/-
2022/1/6	Guotai Junan International Holdings Ltd	HKD	460	0.83	2022/7/12	181D	Financials	Baa2/BBB+/-	-/-/-
2022/1/6	Shenghong Petrochemical International Pte Ltd	USD	40	1.9	2023/1/12	364D	Energy	-/-/-	-/-/-
2022/1/6	Jingjiang Port Group Co Ltd	USD	100	2	2025/1/12	3	Chengtou	-/-/-	-/-/-
2022/1/7	Zhenjiang State-owned Investment Holding Group Co Ltd	USD	150	1.9	2023/1/11	364D	Chengtou	-/-/-	-/-/-
2022/1/7	Haitong International Securities Group Ltd	USD	60	0.75	2022/7/13	181D	Financials	Baa2/BBB/-	-/-/-
2022/1/7	Wuxi Xixi Industrial Development Group Co Ltd	USD	100	2	2025/1/12	3	Chengtou	-/-/-	-/-/-

Sources: Bloomberg, CCX research

From January 3 to 7, CIFI Holdings Group Co Ltd announced tap bond offering

Table 2 : Tap bond offering (20220103-20220107)

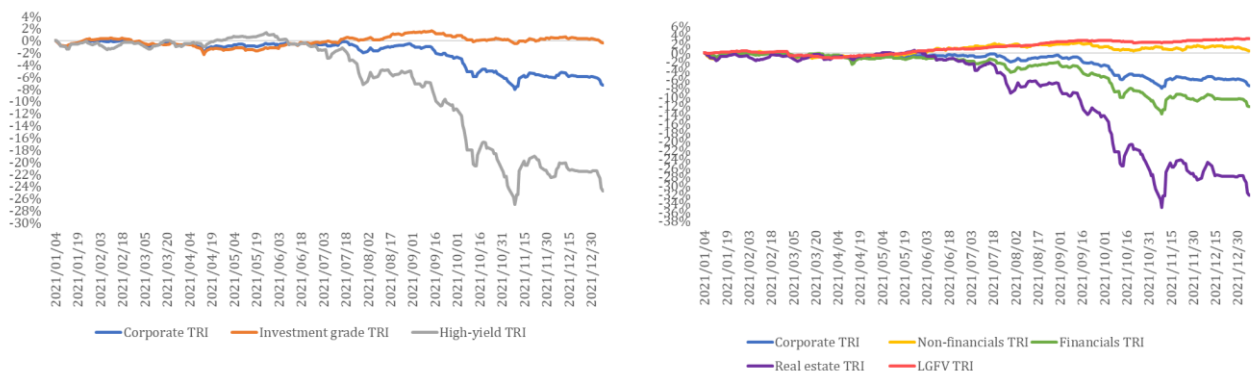
Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2022/1/3	CIFI Holdings Group Co Ltd	USD	500 (Reoffered 150)	4.45	2026/8/17	5.25	Real Estate	Ba2/BB/BB	Ba3/BB/-

Sources: Bloomberg, CCX research

Secondary Market: Return on Chinese USD bond dropped; Real estate bond had the biggest drop

As of January 7, the YTD return on Chinese USD corporate bond index decreased by 146bp from last Friday to -7.34%. The return on investment-grade bond decreased by 73bp to -0.37%, and the return on high-yield bond decreased by 336bp to -24.82%. In terms of sector indices, real estate bonds had the biggest drop, which decreased by 449bp from last Friday to -32.22%; the return on financial and non-financial bonds was -12.16% and 0.46%, decreased by 181bp and 88bp, respectively; and the return on Chengtou bond increased by 1bp from last Friday to 3.21%.

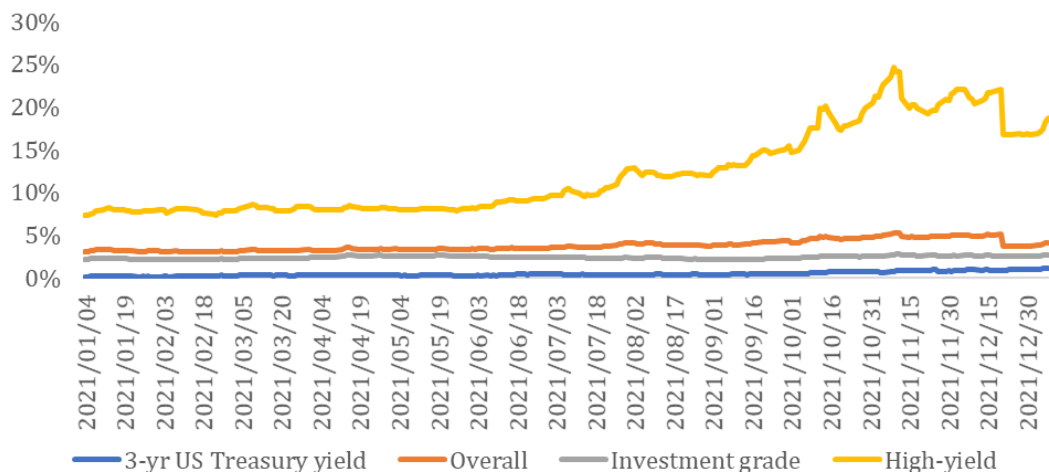
Figure 5 : YTD return on Markit IBoxx Chinese USD bond index



Sources: Bloomberg, CCX research

As of January 1, the yield-to-worst of Chinese dollar bonds increased by 37bp to 4.10% from last Friday, of which investment grade bond index increased by 17bp to 2.72%. High-yield bond index increased by 188bp to 18.64%.

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



Sources: Bloomberg, CCX research

Rating Action: Several real estate companies rolled over their offshore bonds

From January 3 to 7, rating agencies took negative rating actions on 1 Chinese issuer, and took positive rating action on 1 Chinese issuer.

Table 3 : Credit rating changes of cross-border bond market (20220103-20210107)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgraded	Jinchuan Group Co Ltd	Materials	BBB	Stable	2022/01/05	BBB-	Stable	2021/01/24	Fitch	Improved standalone credit profile
Downgrade	Yuzhou Group Holdings Co Ltd	Real Estate	BB-	Rating Watch Negative	2022/01/04	BB-	Stable	2021/04/13	Lianhe Global	Increasing liquidity pressure
	Yuzhou Group Holdings Co Ltd	Real Estate	B	Rating Watch Negative	2022/01/06	BB-	Rating Watch Negative	2022/01/04	Lianhe Global	Imminent refinancing risk, and the increasing constraints on its liquidity

Sources: Bloomberg, Wind, CCX research

On December 15, 2021, Guangzhou R&F Properties Co., Ltd. ("R&F Properties") announced that it is making a cash purchase offer and consent solicitation for its senior USD bond notes due in 2022, the outstanding balance of the notes is USD725 million. On January 11, 2022, R&F Properties announced that the conditions for the tender offer and the consent solicitation have been reached, with a coupon rate of 5.75%, an USD265 million senior note due on January 13, 2022, and a coupon rate of 5.75%, USD460 million senior notes due on January 20, 2022 were consolidated and formed into a single category.

On December 16, 2021, RiseSun Real Estate Development Co., Ltd. ("RiseSun Development") initiated an exchange offer and consent solicitation for its two USD bonds with a combined stock of around USD800 million. On January 10, 2022, Risesun Development announced on the SGX that the company has successfully completed the company's offer in the exchange offer and consent solicitation with the support of the existing noteholders. The announcement showed that from January 14, 2022, all existing notes will be exchanged into two new notes with a coupon of 9.5% and a maturity of 2.5 years and 364 days, respectively.

On January 6, DaFa Properties Group Limited. ("Dafa Properties") announced that it would seek an exchange offer for its unpaid USD bond due on January 18, 2022, with a coupon rate of 9.95% and an outstanding balance of USD184.5 million. The exchange offer repays at least USD166.05 million or 90% of the principal amount. Deadline for Exchange offers was at 4:00 pm on January 12, 2022.

On January 11, Shinsun Holdings (Group) Co., Ltd. ("Shinsun Holdings Group") launched an exchange offer for a USD bond due on January 23 this year. According to the unofficially disclosed exchange offer plan, Shinsun intends to divide the bond into A and B two series note holders for approval. The company is moving forward with a privately negotiated exchange with bondholders, the exchange offer is not a public offer. And it has been supported by most bondholders. Deadline for Exchange offers was at 4:00 pm on January 14, 2022.

Panda Bond Market: No New issuance this week

Table 4 : New issuance of Panda Bond in the Year 2021

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
Hungary	1	3.28	2021/12/16	2024/12/16	3	International Institution Bond	China Interbank Market	Lianhe Credit
Trafigura Group	0.7	5.00	2021/12/13	2024/12/13	3	PPN	China Interbank Market	Lianhe Credit
Bank of China Group Investment Limited	2	3.19	2021/12/8	2024/12/8	3	MTN	China Interbank Market	China Chengxin
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	Shanghai	Shanghai

								Bond	Exchange Market	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	China Interbank Market			--

						Bond			
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: China Traditional Chinese Medicine Co. Limited

Issuer profile: The predecessor of China Traditional Chinese Medicine Co. Limited was Rongshan International Co., Ltd., which was wholly-owned by the Foshan Municipal Government. Rongshan International was listed on the Hong Kong Stock Exchange in 1993 with the stock code of 00570.HK. After many changes, the company is now under the name of China Traditional Chinese Medicine Co. Limited, and its securities are referred to as "China TCM". As of June 2021, the company's share capital is RMB11.98 billion. The controlling shareholder is Sinopharm Group Hong Kong Co., Ltd., which holds 32.46% of the company's equity. The indirect controlling shareholder is Sinopharm Group, and the actual controller is the State-owned Assets Supervision and Administration Commission of the State Council. The company mainly engaged in research and development, production, marketing and investment of traditional Chinese medicine products. With the advancement of the national medical and health system reform and the introduction of the 13th Five-Year Plan, the company's external development environment is beneficial. The indirect controlling shareholder of the company, China National Pharmaceutical Group Co., Ltd., has strong strength. As the core industrial platform of the Chinese medicine industry sector, the company has received strong support in resource integration and resource acquisition. In May 2018, the company introduced China Ping An Life Insurance Co., Ltd. as a strategic investor. Through multi-field and all-round cooperation, it can help to further enhance the company's competitiveness. The company has 10 exclusive products, with high market share in their respective sub-sectors, and strong core product competitiveness; at the same time, the company has 2 national-level pilot enterprises for the production of traditional Chinese medicine formula granules, and they are located in Fujian, Guangxi and Guizhou. 10 other provinces have provincial-level pilot licenses for the production of traditional Chinese medicine formula granules, and the market share has ranked first for many years, and the leading position is stable. The company actively expands the business of Chinese medicine decoction pieces, continues to promote the construction of Chinese medicine source planting bases, and improves the entire Chinese medicine industry chain. In recent years, the company's revenue and profitability have increased year by year. As of June 2021, the company's total assets were RMB35.60 billion and total liabilities were RMB13.691 billion. In

2020, the company's total operating income was RMB14.81 billion, a year-on-year increase of 3.39%. At the same time, it should be noted that with the gradual release of the pilot qualifications for traditional Chinese medicine formula granules, the traditional Chinese medicine formula granules may enter a perfectly competitive market, and the company's market share in this sector may face a decline. In recent years, the company's goodwill has maintained a relatively high level, and the future operating conditions of the acquisition target may lead to the risk of goodwill impairment. At the same time, the proportion of the company's short-term debt has increased over the years, and its debt structure is still not at the most optimized position.

Issuance history: China Traditional Chinese Medicine Co. Limited entered the Panda Bond market for the first time in November 2016. It is an early issuer participating in the Panda Bond market and is relatively active. Only in 2018, there was no new issuance. Up to now, China TCM has issued a total of 6 panda bonds, 3 SCP and 3 MTN, raising a total of RMB11.5 billion, with an average coupon rate of 3.35% and a spread of 73bp, usage of proceeds being mainly to repay interest-bearing debts and supplement the liquidity of its subsidiaries.

Table 5: Historical Issuance of China Traditional Chinese Medicine Co. Limited in the Panda Bond Market

No.	Issue date	Maturity	Tenor	Amount (RMB billion)	Coupon (%)	Spread (BP)	Use of Proceeds	Bond Type	Issue Market
1	2021/5/31	2022/2/25	0.74	1	2.65	39	To supplement working capital and to repay interest-bearing debts	SCP	China Interbank Market
2	2020/9/14	2021/6/11	0.75	1	2.60	1	To supplement working capital and to repay bank loans	SCP	China Interbank Market
3	2020/6/5	2023/6/5	3	2.2	3.28	89	To supplement working capital and to repay interest-bearing debts	MTN	China Interbank Market
4	2019/10/14	2020/7/10	0.74	2.8	3.19	68	To supplement working capital and to repay interest-bearing debts	SCP	China Interbank Market
5	2017/6/13	2020/6/13	3	2	4.98	143	To supplement working capital and to repay debts at financial intuitions	MTN	China Interbank Market
6	2016/11/16	2019/11/16	3	2.5	3.40	99	To supplement working capital, invest new projects and to repay bank loans	MTN	China Interbank Market

Sources: Bloomberg, CCX research

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