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From February 28 to March 4

Authors
CCXI Overseas Business Department

Mia Zhu 010-66428877-570

llzhu@ccxi.com.cn

Chris Dong 010-66428877-567

xndong@ccxi.com.cn

CCXAP

George Wang 852-28607130

george_wang@ccxap.com

Peter Chong 852-28607124

peter_chong@ccxap.com

Other Contact

Elle Hu 852-28607120

elle_hu@ccxap.com

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Chinese offshore bond issuance dropped significantly; return on Chinese USD bond dropped

Headline: Eurozone inflation hit record high

On March 2, Eurostat statistics showed that Eurozone inflation soared in February to a record high of 5.8%, above market expectation, mainly on the back of surging energy prices. Among them, the energy prices jumped 31.7%, food and alcohol & tobacco increased by 4.1%, non-energy industrials goods increased by 3.0%, services increased by 2.5%. In terms of major European economies, the inflation rate in February was 5.5% in Germany, 4.1% in France, 6.2% in Italy and 7.5% in Spain, all at high levels.

Exchange Rate: RMB exchange rate fluctuated slightly

This week, the RMB exchange rate fluctuated slightly. As of March 4, the RMB mid-point rate closed at 6.3288, rose by 58bp compared with last Friday.

Interest Rate: China Government Bond yields rose greatly; US Treasury yields fell

This week, China Government Bond yields rose greatly. The 1-year China Government Bond yields increased by 832bp compared with last Friday. US Treasury yields fell due to escalating tensions between Russia and Ukraine and rising risk aversion in the market. As of March 4, the yield spread between China and US 10-year note was 108.2bp, widening by 26.9bp from last Friday and narrowing by 6.6bp from the beginning of the year.

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond issuance dropped significantly

From February 28 to March 4, there were 18 new issues with a total issued volume of USD1.7 billion, dropped by 77.3% from last week. Financial companies (including banks) were the main issuers, issuing 11 bonds with the total amount of RMB820 million.

Secondary Market: Return on Chinese USD bond dropped

As of March 4, the YTD return on Chinese USD corporate bond index decreased by 100bp from last Friday to -5.33%. The return on investment-grade bonds increased by 5bp to -2.51%, and the return on high-yield bonds decreased by 482bp to -15.25%. In terms of sector indices, real estate bonds had the biggest drop, which decreased by 688bp from last Friday to -21.74%.

Rating Action: CCXAP assigns first-time long-term credit rating of BBBg- to Huai'an Development Holdings Co., Ltd., with stable outlook
Credit Event: DaFa Properties and Guorui Properties defaulted on offshore bonds

Panda Bond Market: Hengan International Group issued 2 bonds this week

On March 3, Hengan International Group Co., Ltd. successfully issued the first phase and the second phase of short-term bonds in the China Interbank Market. The first phase of the short-term bond has a tenor of 0.49 years, raising RMB 1 billion, at the coupon rate of 2.50%; the second phase of the short-term bond also has a tenor of 0.49 years, raising RMB 1 billion, at the coupon rate of 2.50%. CCXI assigned AAA to the issuer.

Issuer Analysis: Shenzhen International Holdings Limited

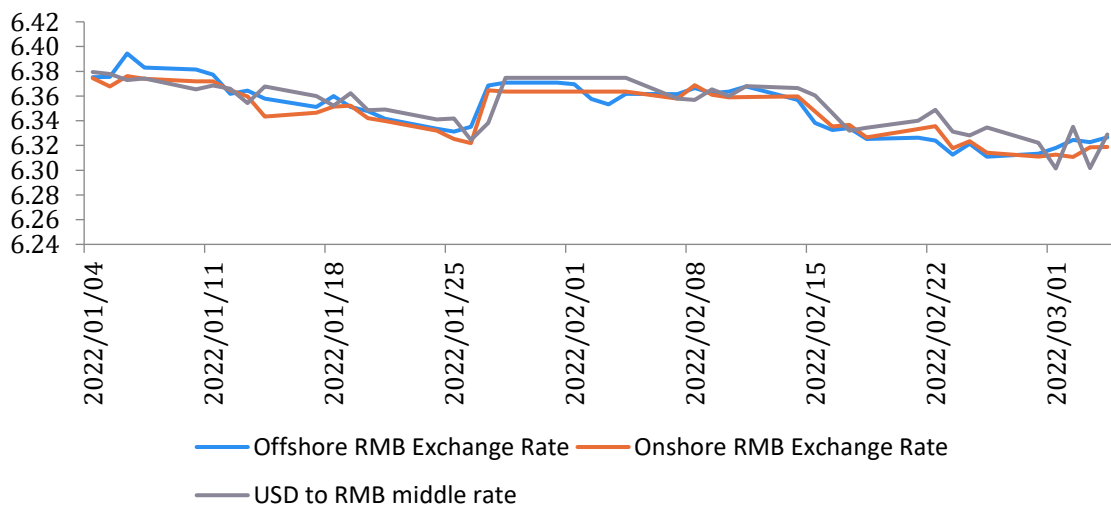
Headline: Eurozone inflation hit record high

On March 2, Eurostat statistics showed that Eurozone inflation soared in February to a record high of 5.8%, above market expectation, mainly on the back of surging energy prices. Among them, the energy prices jumped 31.7%, food and alcohol & tobacco increased by 4.1%, non-energy industrials goods increased by 3.0%, services increased by 2.5%. Core inflation, which excludes prices of energy, food, alcohol and tobacco, was 2.7%. In terms of major European economies, the inflation rate in February was 5.5% in Germany, 4.1% in France, 6.2% in Italy and 7.5% in Spain, all at high levels.

Exchange Rate: RMB exchange rate fluctuated slightly

This week, the RMB exchange rate fluctuated slightly. As of March 4, the RMB mid-point rate closed at 6.3288, decreased by 58bp compared with last Friday; the onshore RMB exchange rate increased by 47bp to 6.3189 compared with last Friday; the offshore RMB exchange rate increased by 157bp to 6.3267 compared with last Friday. The uncertainty of the situation in Russia and Ukraine continues and the market risk aversion is heating up. The dollar index gained a boost, but the impact on the RMB was limited.

Figure 1 : RMB exchange rate

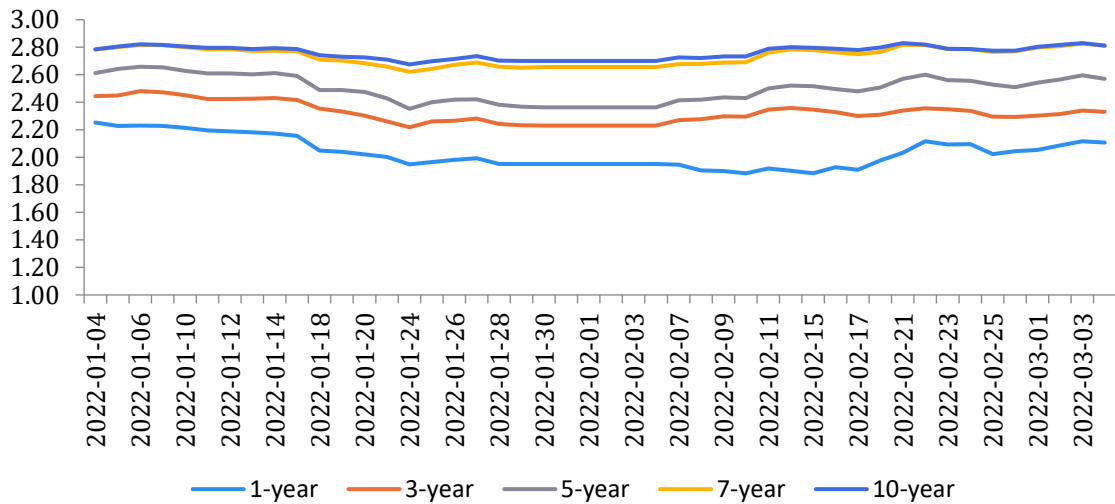


Sources: Wind, CCX research

Interest Rate: China Government Bond yields rose greatly, US Treasury yields fell

The China Government Bond yields rose greatly this week. As of March 4, the 1-year, 3-year, 5-year, 7-year, and 10-year China Government Bond yields fluctuated upward since last Friday, closed at 2.1074%, 2.3309%, 2.5705%, 2.8108%, and 2.8125% respectively, and increased by 832bp, 359bp, 431bp, 446bp, and 375bp respectively.

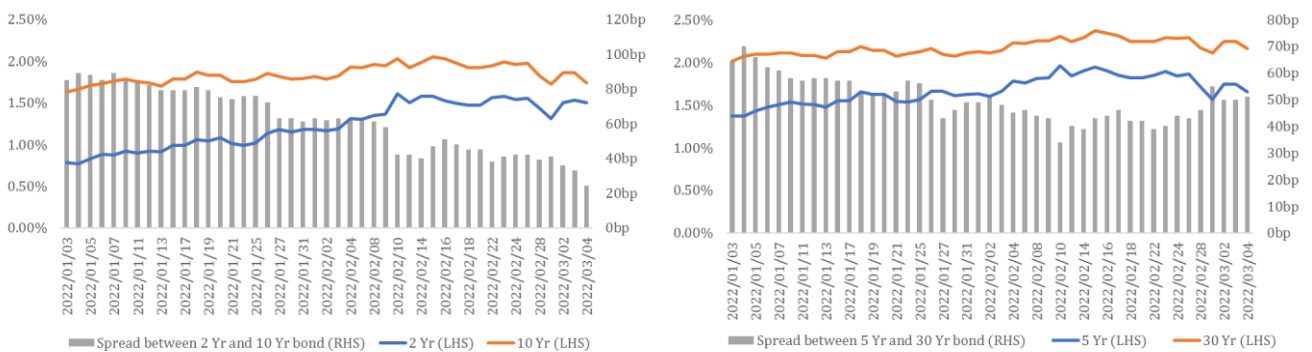
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

US Treasury yields fell due to escalating tensions between Russia and Ukraine and rising risk aversion in the market. As of March 4, 2-year, 5-year, 10-year, and 30-year Treasury yields closed at 1.50%, 1.65%, 1.74%, and 2.16%, decreasing by 5bp, 21bp, 23bp, and 13bp from last Friday, respectively. In terms of Treasury yield spreads, spread between the 2-year and 10-year narrowed by 18bp to 24bp, and spread between the 5-year and 30-year widened by 8bp to 51bp, from last Friday.

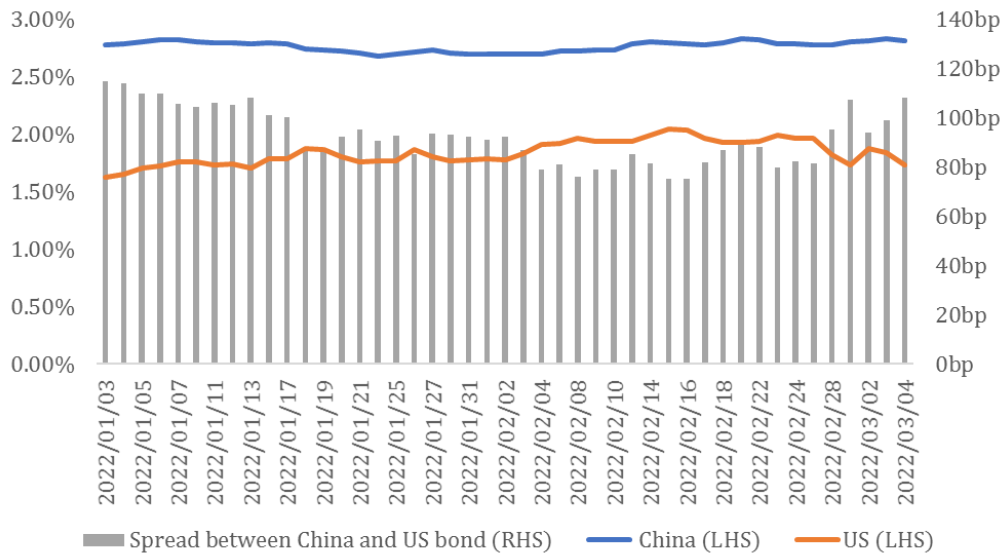
Figure 3 : US Treasury yields and yield spreads



Sources: US Department of the Treasury, CCX research

As of March 4, the yield spread between China and US 10-year note was 108.2bp, widening by 26.9bp from last Friday and narrowing by 6.6bp 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 dropped significantly

From February 28 to March 4, there were 18 new issues with a total issued volume of USD1.7 billion, dropped by 77.3% from last week. Financial companies (including banks) were the main issuers, issuing 11 bonds with the total amount of RMB820 million.

Table 1 : New issuance of Chinese offshore bonds(20220228-20220304)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2022/2/28	AVIC International Holding Corp	USD	200	3	2027/3/7	5	Industrials	-/BBB-/A	-/-/A
2022/2/28	Bank of China Ltd/Sydney	USD	400	2	2025/3/7	3	Banks	A1/A/A	A1/A/A
2022/2/28	CITIC Securities International Co Ltd	USD	3	0	2022/12/6	278D	Financials	-/BBB+/-	-/-/-
2022/2/28	CITIC Securities International Co Ltd	USD	5	0	2022/12/6	278D	Financials	-/BBB+/-	-/-/-
2022/2/28	CITIC Securities International Co Ltd	USD	5	0	2022/12/6	278D	Financials	-/BBB+/-	-/-/-
2022/2/28	CITIC Securities International Co Ltd	USD	6	0	2022/12/6	278D	Financials	-/BBB+/-	-/-/-
2022/2/28	Xinjiang Financial Investment Ltd	USD	20	2.7	2025/3/7	3	Financials	-/-/BB+	-/-/-
2022/2/28	Xinjiang Financial Investment Ltd	USD	28	2.7	2025/3/7	3	Financials	-/-/BB+	-/-/-
2022/2/28	Xinjiang Financial Investment Ltd	USD	67	5.6	2025/3/7	3	Financials	-/-/BB+	-/-/-
2022/3/1	CNCB Hong Kong Investment Ltd	USD	200	1.833	2023/3/6	364D	Financials	-/BBB/BBB	-/-/-
2022/3/1	Huaiyuan County New Urbanization Construction Co Ltd	USD	100	3	2025/3/8	3	Chengtou	-/-/-	-/-/-
2022/3/3	Wuhan Dangdai Science & Technology Industries Group Co Ltd	USD	200	9	2023/3/7	364D	Health Care	-/-/-	-/-/-
2022/3/3	Yanan Tourism Group Co Ltd	USD	77	3.9	2025/3/10	3	Consumer Discretionary	-/-/-	-/-/-
2022/3/4	Chengdu Yidu Construction Investment Co Ltd	USD	100	3	2025/3/18	3	Chengtou	-/-/-	-/-/-
2022/3/4	Tieling Public Assets Investment & Management Group Co Ltd	USD	50	9.3	2025/3/9	3	Chengtou	-/-/-	-/-/-

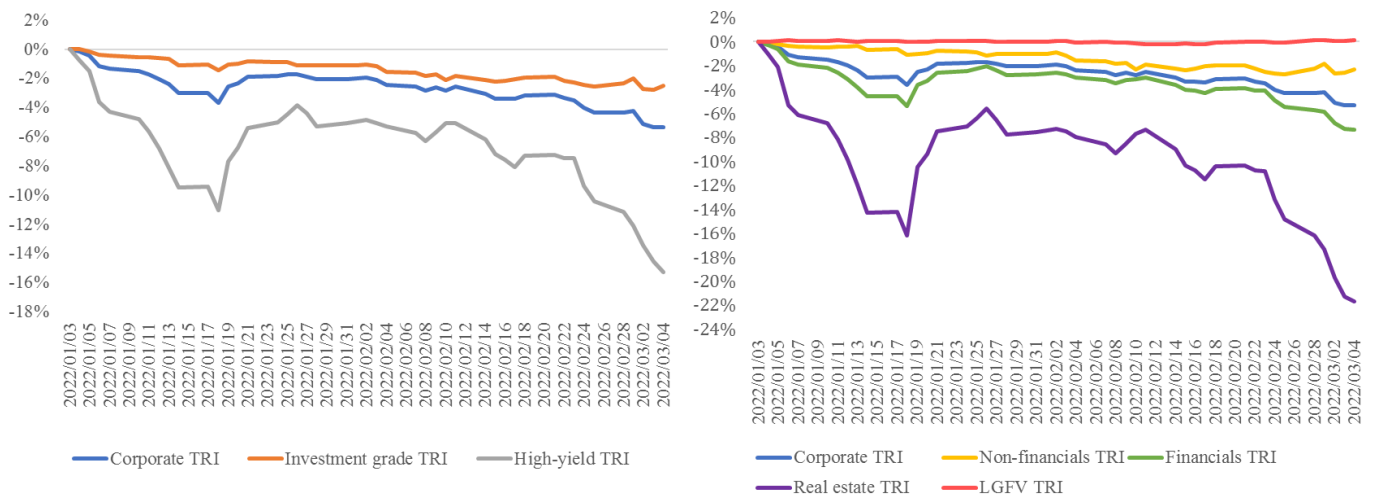
2022/3/4	Xinjiang Financial Investment Ltd	USD	15	2.7	2025/2/6	2.92	Financials	-/-/BB+	-/-/-
2022/3/4	Xinjiang Financial Investment Ltd	USD	70	2.88	2025/3/9	3	Financials	-/-/BB+	-/-/-
2022/3/4	Zhoukou Urban Construction Investment Development Co Ltd	USD	120	4.8	2025/3/11	3	Chengtou	-/-/-	-/-/-

Sources: Bloomberg, CCX research

Secondary Market: Return on Chinese USD bond dropped

As of March 4, the YTD return¹ on Chinese USD corporate bond index decreased by 100bp from last Friday to -5.33%. The return on investment-grade bonds increased by 5bp to -2.51%, and the return on high-yield bonds decreased by 482bp to -15.25%. In terms of sector indices, real estate bonds had the biggest drop, which decreased by 688bp from last Friday to -21.74%. The return on financial bonds decreased 195bp to -7.39%. The returns on non-financial and Chengtougou bonds were -2.36% and -0.09%, increased by 37bp and 17bp from last Friday, respectively.

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

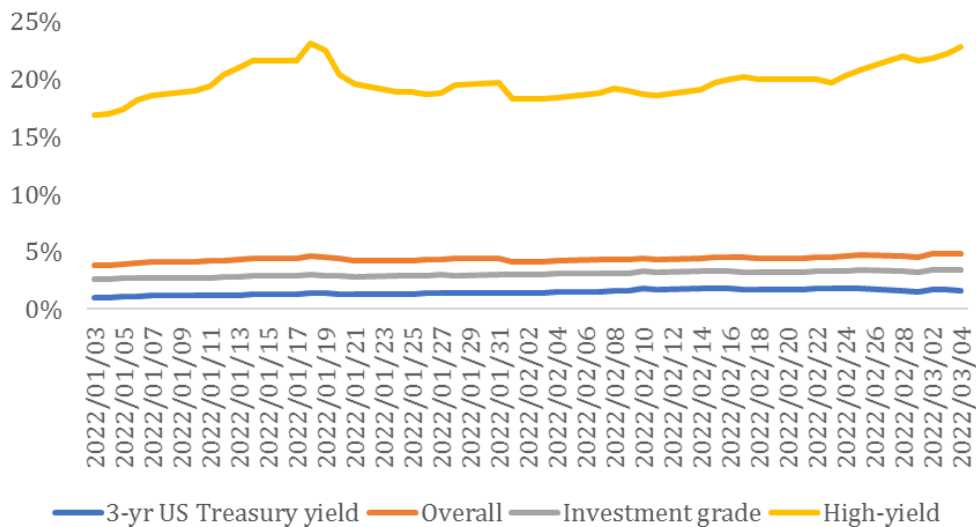


Sources: Bloomberg, CCX research

As of March 4, the yield-to-worst of Chinese dollar bonds increased by 13bp to 4.80% from last Friday, of which investment grade bond index increased by 2bp to 3.37%. High-yield bond index increased by 202bp to 22.85%.

¹ Year-to-date return measures the return since January 3, 2022

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



Sources: Bloomberg, CCX research

Rating Action: CCXAP assigns first-time long-term credit rating of BBB_g- to Huai’an Development Holdings Co., Ltd., with stable outlook

On March 2, 2022, China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") first assigned a long-term credit rating of BBB_g- to Huai’an Development Holdings Co., Ltd. ("HADH") with the stable rating outlook.

Table 2 : Rating Action of CCXAP (2022028-20220304)

Date	Entity	Issuer Rating	Rating Rationale
2022/3/2	HADH	BBB _g -	The credit rating is underpinned by the Company’s (1) good business sustainability as the sole primary land developer and largest infrastructure constructor in the Huai’an Economic and Technological Development Zone; and (2) recurring income sources from its asset leasing business. However, the rating is constrained by the Company’s (1) large funding gap due to slow cash collection and abundant construction pipelines; (2) relatively weak liquidity buffers.

Sources: CCX research

From February 28 to March 4, rating agencies took positive rating action on 1 Chinese issuer and took negative rating action on 10 Chinese issuers.

Table 3: Credit rating changes of cross-border bond market (20220228-20210304)

	Entity	Sector	Current Rating			Previous Rating			Rating Agency	Reason of Change
			Entity Rating	Outlook	Date	Entity Rating	Outlook	Date		
International Rating:										
Upgrade	Lenovo Group Ltd	Technology	Baa2	Stable	2022/3/2	Baa3	POS	2021/6/4	Moody's	Improved credit profile in terms of leverage
Downgrade	Hong Kong JunFa Property Co	Real Estate	B-	NEG	2022/2/28	B+	Stable	2021/3/5	Fitch	Weakened liquidity

Ltd										and funding access
Kunming Municipal Urban Construction Investment & Development Co Ltd	Chengtou	BB	NEG	2022/2/28	BB	Stable	2021/2/9	Fitch		Weak financial profile and liquidity
Redco Properties Group Ltd	Real Estate	B-	RWN	2022/2/28	B	Stable	2021/6/10	S&P		Deteriorated liquidity position
Vipshop Holdings Ltd	Consumer Discretionary	BBB+	NEG	2022/3/1	BBB+	Stable	2021/6/17	Fitch		Potential of a structurally weaker position
Zhongliang Holdings Group Co Ltd	Real Estate	B-	NEG	2022/3/1	B+	NEG	2021/11/19	Fitch		Increasing uncertainty over refinancing of its capital market debt
Jinke Property Group Co Ltd	Real Estate	B1	NEG	2022/3/3	B1	Stable	2021/10/19	Moody's		Sales and credit metrics expected to weaken
KWG Group Holdings Ltd	Real Estate	B2	NEG	2022/3/3	B1	Stable	2020/4/29	Moody's		Weakening contracted sales and heightened refinancing risks
Shimao Group Holdings Ltd	Real Estate	CCC	-	2022/3/3	B-	RWN	2021/1/11	Fitch		Increasing refinancing risk
Logan Group Co Ltd	Real Estate	BB	RWN	2022/3/4	BBB-	Stable	2021/4/14	Lianhe Global		Increasing refinancing pressure

Domestic Rating:

Downgrade

Zhenro Properties Holdings Ltd	Real Estate	AAA	NEG	2022/3/1	AAA	Stable	2022/2/22	DaGong		Liquidity risk due to tight policy regulation
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Sources: Bloomberg, Wind, CCX research

Credit event: DaFa Properties and Guorui Properties defaulted on offshore bonds

On March 2, DaFa Properties Group Limited (“DaFa Properties”) announced that as a result of the Petition, it was necessary to ensure fairness to all its creditors by avoiding selective repayment. The Company did not make the interest payment of USD22.275 million before the expiry of the grace period, constituting an event of default. As of the announcement date, DaFa Properties still had two outstanding USD bonds with total amount of about USD238 million, one of which will mature in June 2022, with an amount of USD138 million.

On March 4, Guorui Properties Limited (“Guorui Properties”) announced that although the Company was actively identifying investor of the 13.5% senior notes due 2022 (ISIX: XS1932655613), the nonpayment of the outstanding principal amount (USD4.9 million) and the accrued interest of the notes constituted an event of default under the indenture governing in the notes. On February 28, 2022, the notes had been delisted from Hong Kong Stock Exchange. As of the announcement date,

Guorui Properties still had three USD bonds with an outstanding amount of about USD393 million, maturing on March 26, 2023, January 15, 2024, and August 23, 2024, respectively.

Panda Bond Market: Hengan International Group issued 2 bonds this week

On March 3, Hengan International Group Co., Ltd. successfully issued the first phase and the second phase of short-term financing bonds in the China Interbank Market. The first phase of the short-term bond has a tenor of 0.49 years, raising RMB 1 billion, at the coupon rate of 2.50%; the second phase of the short-term bond also has a tenor of 0.49 years, raising RMB 1 billion, at the coupon rate of 2.50%. CCFI assigned AAA to the issuer.

Table 4: New issuance of Panda Bond in 2022 (20220103-20220304)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
Hengan International Group Co., Ltd	1	2.5	2022/3/3	2022/8/3	0.49	CP	China Interbank Market	China Chengxin
Hengan International Group Co., Ltd	1	2.5	2022/3/3	2022/8/3	0.49	CP	China Interbank Market	China Chengxin
BMW Finance N.V.	2.5	2.33	2022/2/24	2022/5/25	0.25	SCP	China Interbank Market	China Chengxin
China Mengniu Dairy Company Limited	1	3.1	2022/2/21	2025/2/21	3.00	MTN	China Interbank Market	China Chengxin
China Mengniu Dairy Company Limited	1.5	2.89	2022/2/21	2024/2/21	2.00	MTN	China Interbank Market	China Chengxin
China Traditional Chinese Medicine Co. Limited	1	2.4	2022/2/16	2022/11/15	0.75	SCP	China Interbank Market	China Chengxin
New Development Bank	3	2.45	2022/1/27	2025/1/27	3	International Institution Bond	China Interbank Market	China Chengxin
China Mengniu Dairy Company Limited	2.5	2.35	2022/1/24	2022/4/22	0.24	SCP	China Interbank Market	China Chengxin
Beijing Enterprises Water Group Limited	1.5	3.38	2022/1/21	2026/1/21	5	MTN	China Interbank Market	Shanghai Brilliance Rating
Beijing Enterprises Water Group Limited	1	2.97	2022/1/21	2023/1/21	5	MTN	China Interbank Market	Shanghai Brilliance Rating
China Everbright Water Limited	1	2.50	2021/12/16	2022/6/12	0.4	SCP	China Interbank Market	Shanghai Brilliance Rating
Shenzhen International Holdings Limited	1	2.95	2022/1/10	2028/1/15	6	Corporate Bond	Shenzhen Exchange Market	Lianhe Credit Rating

Sources: Bloomberg, CCX research

Issuer Analysis: Shenzhen International Holdings Limited

Issuer profile: Shenzhen International Holdings Co., Ltd. (formerly Ingot Limited) was registered in Bermuda Companies Registry on November 22, 1898, and was listed on the main board of the Hong Kong Stock Exchange with a stock code of 0152.HK. As of the end of June 2021, Ultrarich International Limited, a wholly-owned company invested and established by Shenzhen Investment Holdings Co., Ltd., is the company's largest shareholder and controlling shareholder, and the actual controller is the State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipal. Shenzhen International Holdings is mainly engaged in highway investment, operation and management, logistics infrastructure investment, construction and operation, and provides various logistics value-added services to customers relying on its own infrastructure and information service platform. The company's logistics business is based in Shenzhen and spreads across the country, occupying an important market position in the national logistics market. Subsidiary Shenzhen Expressway Group Co., Ltd. is the most important listed company in Shenzhen and its main business is investment, construction, and operation of expressways. In 2020, the toll revenue decreased due to the toll-free policy during the epidemic period, but the toll revenue per kilometer profits remain high and road products are in high quality. Shenzhen Expressway Group has expanded its environmental protection business in the form of acquisition, involving wind power generation, waste treatment (kitchen waste), and other fields. It developed rapidly and its revenue in environmental protection in 2020 increased significantly compared with 2019. However, the scale of corporate debt fluctuated to a larger amount and the short-term debt increased significantly. With the advancement of the "Shenzhen International Urban Comprehensive Logistics Port" and external equity investment, the company will face greater pressure on capital expenditures in the future.

Issuance history: Shenzhen International Holdings Limited is one of the earlier issuers in the Panda Bond Market. It entered the Panda Bond Market in early 2018 and issued a total of 4 bonds, raising RMB 10 billion altogether. Four corporate bonds were all issued in the Exchange Bond Market. The average coupon rate is 3.90%, and the average spread is 69bp. The funds raised for the first time are mainly used to supplement the operating funds of the company's logistics park development and operation business, and the subsequent funds raised are mainly used to replace the issuer's own funds used to repay corporate bonds and supplement working capital.

Table 5: Historical Issuance of Shenzhen International Holdings Limited in the Panda Bond Market

No.	Issue date	Maturity	Tenor	Amount (RMB billion)	Coupon (%)	Spread (BP)	Usage of Proceeds	Bond Type	Issue Market
1	2022/1/10	2028/1/10	6	1	2.95	20	To Replace the self-owned funds that have been used to repay the corporate bonds in the early stage and supplement the working capital	Corporate Bond	Exchange Market
2	2021/10/29	2027/10/29	6	4	3.29	34	To repay interest-bearing debts	Corporate Bond	Exchange

							and supplement the working capital required for daily production and operation of the logistics park and port business		Market
3	2018/11/13	2023/11/13	5	4.7	4.15	90	To supplement the working capital of the headquarters and subsidiaries	Corporate Bond	Exchange Market
4	2018/1/22	2023/1/22	5	0.3	5.20	133	To supplement the working capital of development and operation of the logistics park business	Corporate Bond	Exchange Market

Sources: Bloomberg, CCX research

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**中诚信国际信用评级有限责任公司**

地址：北京市东城区朝阳门内大街
南竹竿胡同 2 号银河 SOHO6 号楼
邮编：100020
电话：(8610) 6642 8877
传真：(8610) 6642 6100
网址：<http://www.ccxi.com.cn>

China Chengxin International Credit Rating Co., Ltd
Address: Building 6, Galaxy SOHO,
No.2 Nanzhugan hutong, Chaoyangmennei Avenue,
Dongcheng district, Beijing, 100020
Tel: (8610) 6642 8877
Fax: (8610) 6642 6100
Website: <http://www.ccxi.com.cn>

**中国诚信(亚太)信用评级有限公司**

地址：香港中环康乐广场 1 号
怡和大厦 19 楼 1904-1909 室
电话：(852) 2860 7111
传真：(852) 2868 0656
网址：<http://www.ccxap.com>

China Chengxin (Asia Pacific) Credit Ratings Company Limited
Address: Suites 1904-1909, 19/F, Jardine House,
1 Connaught Place, Central, Hong Kong
Tel: (852) 2860 7111
Fax: (852) 2868 0656
Website: <http://www.ccxap.com>