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From July 4 to July 8

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Chinese offshore bond primary and secondary market decreased**Headline: Sri Lanka bankrupted; British prime minister resigned; Japan's former prime minister shot death**

On July 5, Prime Minister of Sri Lanka Ranil Wickremesinghe announced that as the financial crisis continues to intensify, Sri Lanka has been "bankrupted" and this year the country has fallen into a deep recession. Food, fuel and medicine will continue to be in severe shortages and inflation is expected to rise to 60%. The unprecedented crisis will be lasting at least until the end of 2023. On July 7, British Prime Minister Boris Johnson issued a resignation statement. On July 8, former Japanese Prime Minister Shinzo Abe was shot while delivering a speech for the Liberal Democratic Party Senate candidate near a station in Nara City. He was shot and died in a hospital in Kashihara City at the age of 67.

Exchange Rate: RMB exchange rate fluctuated up and down

This week, the RMB exchange rate fluctuated up and down. As of July 8th, the RMB mid-point rate closed at 6.7098, declined by 235bp compared with exchange rate on last Friday.

Interest Rate: China Government Bond yields fluctuated upward; US Treasury yields surged

This week, China Government Bond yields fluctuated upward. The 1-year China Government Bond yield rose by 2.6bp compared with yield on last Friday. US Treasury yields increased amid better-than-expected US labor data. As of July 8, the yield spread between China and US 10-year note was -24.2bp, narrowing by 18.7bp from last Friday and narrowing by 138.9bp from the beginning of the year.

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

From July 4 to July 8, there were 17 new issues with a total issued volume of USD1.4 billion, decreasing by 24.7% from last week. Among them, Chengtou companies were the main issuers, which issued 5 bonds with total amount of USD 0.7 billion.

Secondary Market: Return on Chinese USD bond decreased

As of July 8, the YTD return on Chinese USD corporate bond index fell by 105bp to -10.59% from last Friday, of which the return on investment-grade bonds fell by 83bp to -6.99%, and the return on high-yield bonds fell by 201bp to -24.20%. In terms of sector indices, the return on real estate bonds fell the most, decreasing by 314bp from last Friday to -35.40%.

Rating Action: Several real estate companies were downgraded

Credit event: Ronshine China default on interest payments of two USD bonds

Panda Bond Market**No Issuance This Week**

Issuer Analysis: Semiconductor Manufacturing International Corporation

Headline: Sri Lanka's bankrupted; British prime minister resigned; Japan's former prime minister shot death

On July 5, Prime Minister of Sri Lanka Ranil Wickremesinghe announced that as the financial crisis continues to intensify, Sri Lanka has been "bankrupted" and this year the country has fallen into a deep recession. Food, fuel and medicine will continue to be in severe shortages and inflation is expected to rise to 60%. The unprecedented crisis will be lasting at least until the end of 2023. Sri Lanka is having bailout talks with the International Monetary Fund (IMF) and tried to reach a debt restructuring plan with creditors by August.

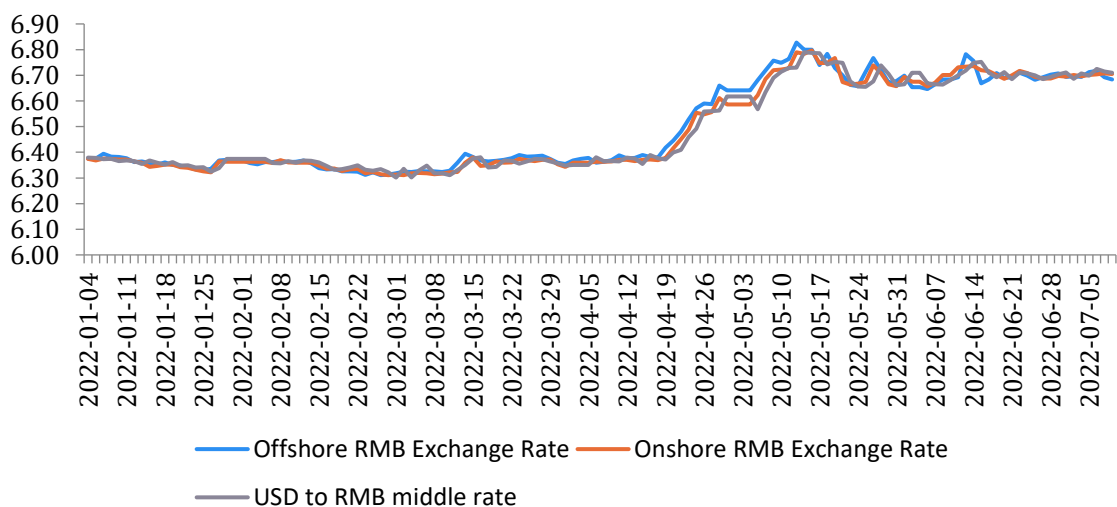
On July 7, British Prime Minister Boris Johnson issued a resignation statement. Since July 5, followed by a historic wave of resignations of 44 senior British officials in 24 hours, including three ministerial ministers and 16 deputy ministers of state, British Prime Minister Boris Johnson has agreed to resign as the leader of the Conservative Party and the prime minister.

On July 8, former Japanese Prime Minister Shinzo Abe was shot while delivering a speech for the Liberal Democratic Party Senate candidate near a station in Nara City. He was shot and died in a hospital in Kashihara City at the age of 67. Abe is an extremely important leader in Japan's post-war history and the longest-serving prime minister in Japan. He served twice between 2012 and 2020. In August 2020, originally scheduled to serve until September, Abe resigned due to relapse of his illness.

Exchange Rate: The RMB exchange rate fluctuated up and down

This week, the RMB exchange rate fluctuated up and down. As of July 8th, the RMB mid-point rate closed at 6.7098, rose by 235bp compared with the rate on last Friday; the onshore RMB exchange rate rose by 45bp to 6.7051 compared with the rate on last Friday; the offshore RMB exchange rate declined by 129bp to 6.6837 compared with the rate on last Friday.

Figure 1 : RMB exchange rate

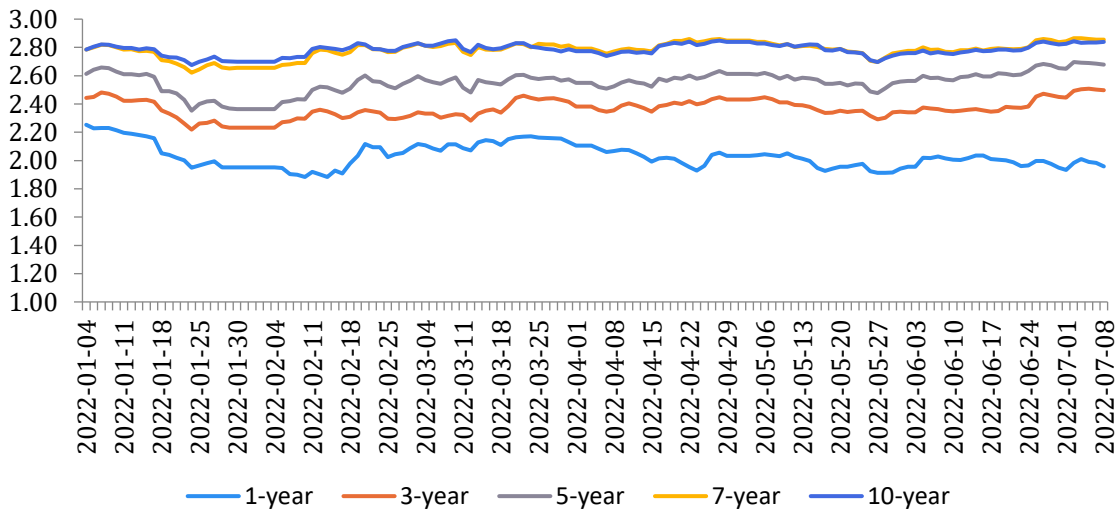


Sources: Wind, CCX research

Interest Rate: China Government Bond yields fluctuated upward; US Treasury yields surged

The China Government Bond yields fluctuated up and down this week. As of July 8th, the 1-year, 3-year, 5-year, 7-year and 10-year China Government Bond yields rose by 2.60bp, 5.07bp, 3.00bp, 1.25bp and 1.29bp since last Friday and closed at 1.9584%, 2.4962%, 2.6785%, 2.8550% and 2.8384% respectively.

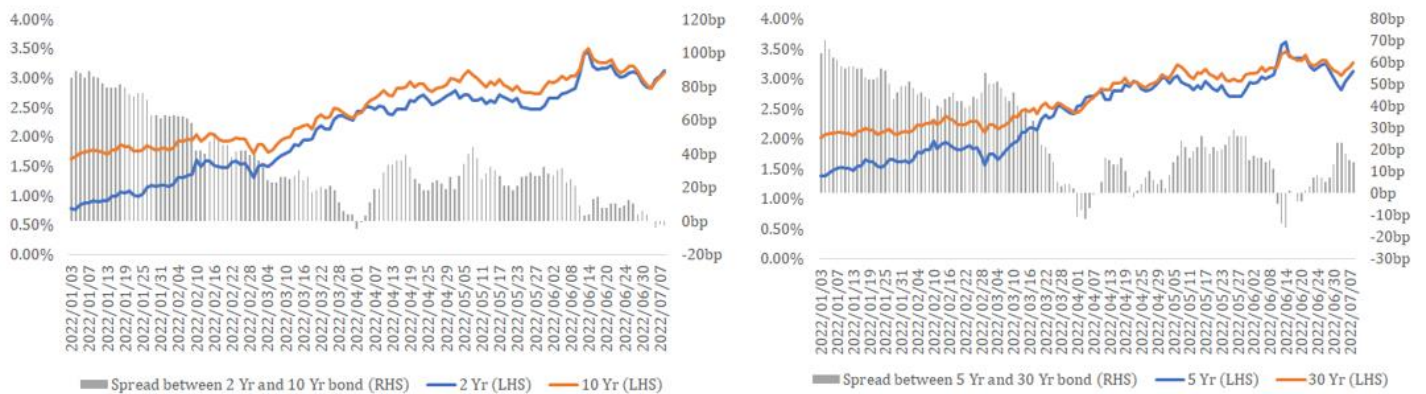
Figure 2: China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

US Treasury yields increased amid better-than-expected US labor data. As of July 8, the yields of 2-year, 5-year, 10-year and 30-year US Treasury bonds were 3.12%, 3.13%, 3.09% and 3.27%, increasing by 28bp, 25bp, 21bp and 16bp from last Friday, respectively. In terms of US Treasury bond spreads, the 2-year and 10-year Treasury bond spreads narrowed by 7bp to -3bp from last Friday, while the 5-year and 30-year Treasury bond spreads narrowed by 9bp to 14bp from last Friday.

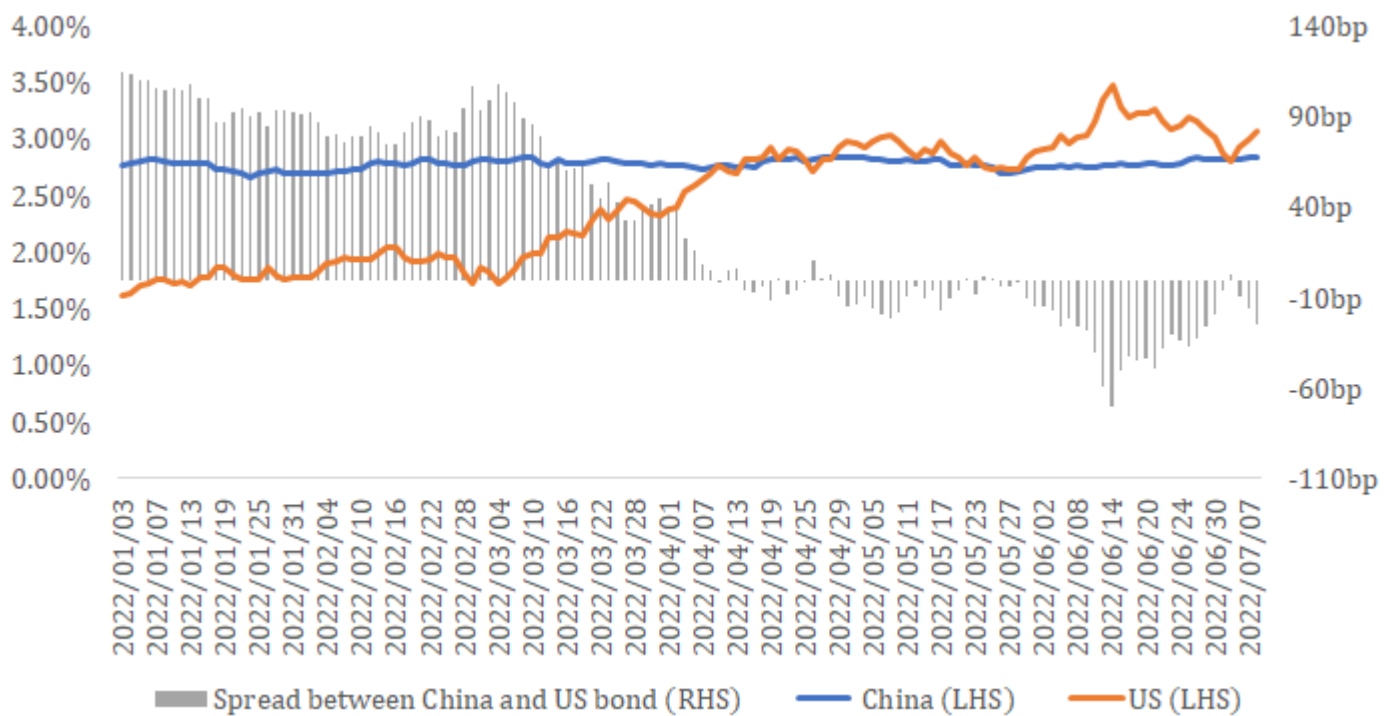
Figure 3 : US Treasury yields and yield spreads



Sources: US Department of the Treasury, CCX research

As of July 8, the yield spread between China and US 10-year note was -24.2bp, narrowing by 18.7bp from last Friday and narrowing by 138.9bp 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 decreased

From July 4 to July 8, there were 17 new issues with a total issued volume of USD1.4 billion, decreasing by 24.7% from last week. Among them, Chengtuo companies were the main issuers, which issued 5 bonds with total amount of USD 0.7 billion.

Table 1 : New issuance of Chinese offshore bonds (20220704-20220708)

Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2022/7/4	Yeahka Ltd	USD	70	6.25	2027/7/13	5	Chengtou	-/-/-	-/-/-
2022/7/4	Bank of China Ltd/Macau	USD	2	2.8	2023/4/11	1.33	Financials	A1/A/A	-/-/-
2022/7/4	Bank of China Ltd/Macau	CNY	20	3.65	2025/9/23	3.21	Chengtou	A1/A/A	-/-/-
2022/7/4	Bank of China Ltd/Macau	CNY	13	3.88	2025/11/18	3.37	Chengtou	A1/A/A	-/-/-
2022/7/5	Guangxi Communications Investment Group Co Ltd	USD	300	3.95	2025/12/7	3	Materials	Baa2/-/BBB	-/-/BBB
2022/7/5	CITIC Securities International	USD	5	0	2026/7/15	4.02	Banks	-/-/BBB+	-/-/-
2022/7/6	Jiyang State-owned Asset Investment Holding Group Co Ltd	EUR	40	1.9	2023/6/12	334D	Chengtou	-/-/-	-/-/-

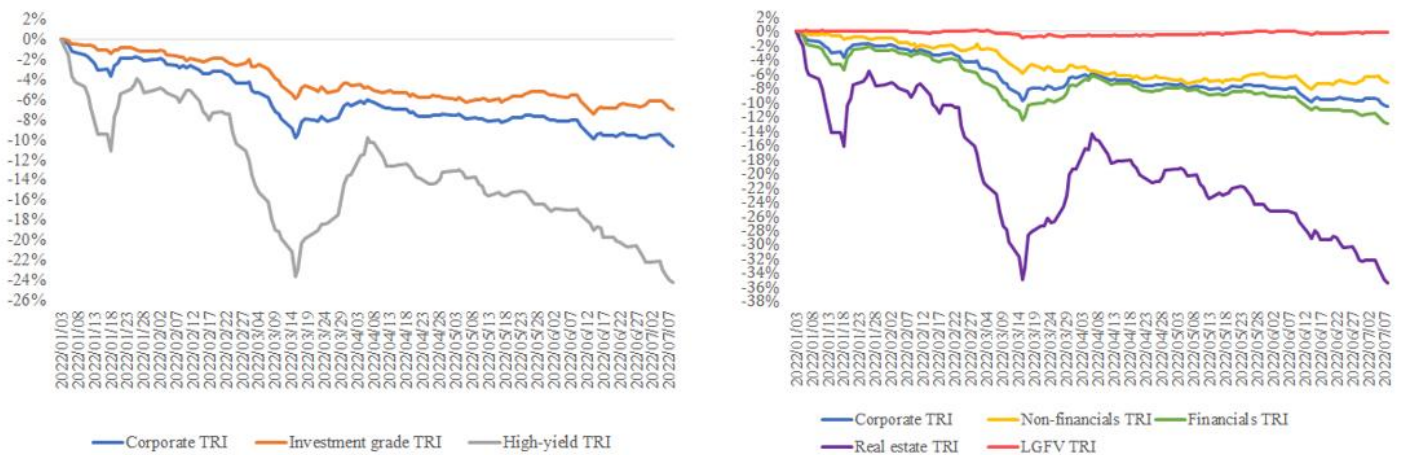
2022/7/6	Xi'an Baqiao Investment Holding Group Co Ltd	USD	58	4.1	2025/5/12	2.83	Banks	-/-	-/-
2022/7/6	Xinjiang Zhongtai Group Co Ltd	CNY	760	4	2025/7/13	3	Banks	-/-/B	-/-
2022/7/7	Shanghai Pudong Development Bank	USD	400	3.25	2025/7/14	3	Financials	Baa2/-	Baa2/-
2022/7/7	Chongqing Hechuan City Construction Investment Group Co Ltd	USD	26	6	2025/5/31	2.88	Chengtou	-/-/BB	-/-
2022/7/7	Bank of China Ltd/Macau	USD	6	3.2	2024/3/18	1.68	Banks	A1/A/A	-/-
2022/7/7	Bank of China Ltd/Macau	USD	6	2.96	2024/9/24	2.2	Banks	A1/A/A	-/-
2022/7/8	Jinan Shizhong Finance Investment Group Co Ltd	USD	100	5.1	2023/7/14	364D	Financials	-/-	-/-
2022/7/8	Huai An Traffic Holding Group	USD	238	5.5	2025/7/15	3	Chengtou	-/-/BB	-/-
2022/7/8	Bank of China Ltd/Macau	USD	20	3.25	2023/7/7	358D	Banks	A1/A/A	-/-
2022/7/8	Bank of China Ltd/Macau	USD	20	3.25	2023/7/7	358D	Banks	A1/A/A	-/-

Sources: Bloomberg, CCX research

Secondary Market: Return on Chinese USD bond decreased

As of July 8, the YTD return¹ on Chinese USD corporate bond index fell by 105bp to -10.59% from last Friday, of which the return on investment-grade bonds fell by 83bp to -6.99%, and the return on high-yield bonds fell by 201bp to -24.20%. In terms of sector indices, the return on real estate bonds fell the most, decreasing by 314bp from last Friday to -35.40%; the returns on financial, non-financial and Chengtou bonds were -12.92%, -7.24% and -0.13% respectively, decreasing by 126bp, 75bp and 1bp from last Friday.

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

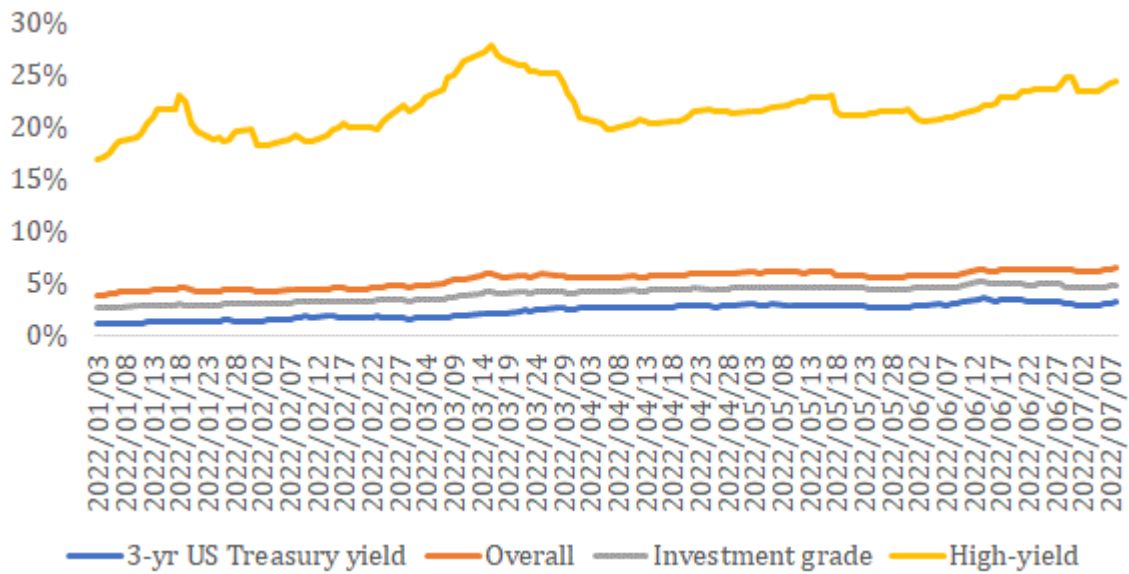


Sources: Bloomberg, CCX research

As of July 8, the yield-to-worst of Chinese dollar bonds increased by 35bp to 6.39% from last Friday, of which investment grade bond index increased by 29bp to 4.77%, while high-yield bond index increased by 92bp to 24.37%.

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: Several real estate companies were downgraded

From July 4 to July 8, rating agencies took positive rating action on 3 Chinese issuers and took negative rating action on 4 Chinese issuers.

Table 2: Credit rating changes of cross-border bond market (20220704-20220708)

	Entity	Sector	Entity Rating	Current Rating		Previous Rating		Rating Agency	Reason of Change	
				Outlook	Date	Entity Rating	Outlook			Date
International Rating:										
Upgrade	Hubei Science & Technology Investment Group Co Ltd	Chengtou	Baa2	STABLE	2022/7/4	Baa3	POS	2021/8/20	Moody's	Reduction in contingent risk exposures
	China National Gold Group Co Ltd	Materials	Baa2	STABLE	2022/7/5	Baa3	POS	2021/7/7	Moody's	Improved financial profile with lower leverage
	Chengdu Hi-tech Investment Group Co Ltd	Chengtou	Baa2	STABLE	2022/7/6	Baa3	POS	2021/10/15	Moody's	Improved debt management
Downgrade	Sansheng Holdings Group Co Ltd	Real Estate	Ca	NEG	2022/7/5	Caa2	NEG	2022/6/17	Moody's	Likely default on its debt obligations

Powerlong Real Estate Holdings Ltd	Real Estate	Caa2	NEG	2022/7/5	Caa1	NEG	2022/6/30	Moody's	Heightened liquidity risk following its proposed exchange offer and consent solicitation
Helenbergh China Holdings Ltd	Real Estate	B-	RWN	2022/7/7	B+	STABLE	2021/7/12	Fitch	Weakening liquidity headroom and rising refinancing risk
Times China Holdings Ltd	Real Estate	Caa2	NEG	2022/7/7	B3	NEG	2022/4/7	Moody's	Heightened refinancing risks, weak operating cash flow, weakened liquidity and sizable debt maturities

Sources: Bloomberg, Wind, CCX research

Credit event: Ronshine China default on interest payments of two USD bonds

On July 10, Ronshine China Holdings Limited ("Ronshine China") announced that, given the current liquidity situation, the Company cannot guarantee that it will be able to perform repayment obligations of the interest on the June 2023 notes and the December 2023 notes when they fall due or within the relevant grace period. The interests on the two USD bonds amounted to approximately USD28 million. If the Company fails to perform the obligations of repaying the debts due and cannot agree on a consensual solution to the corresponding indebtedness with creditors in a timely manner, it may cause the relevant creditors to demand accelerated repayment of the obligations of the relevant debts or take enforcement actions.

Panda Bond Market No Issuance This Week

Table 3 : New issuance of Panda Bond in the Year 2022 (20220103-20220708)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
China Power International Development Limited	2	2.99	2022/6/20	2025/6/20	3	MTN	China Interbank Market	China Chengxin
Mercedes-Benz International Finance B.V.	3	3.25	2022/6/20	2025/6/20	3	MTN	China Interbank Market	China Chengxin
Mercedes-Benz International Finance B.V.	1	2.98	2022/6/20	2024/6/20	2	MTN	China Interbank Market	China Chengxin
China Everbright Limited	3	3.09	2022/6/17	2025/6/17	3	MTN	China Interbank Market	China Chengxin
China Power International Development Limited	1	2.1	2022/6/15	2023/3/12	0.74	SCP	China Interbank Market	China Chengxin

China Power International Development Limited	2	3	2022/6/14	2025/6/14	3	MTN	China Interbank Market	China Chengxin
China Everbright Water Limited	7	3.3	2022/6/13	2025/6/13	3	MTN	China Interbank Market	Shanghai Brilliance Rating
Hengan International Group Co., Ltd	1	2.1	2022/6/10	2022/12/7	0.49	CP	China Interbank Market	China Chengxin
China Everbright Greentech Limited	0.7	3.35	2022/5/27	2025/5/27	3	MTN	China Interbank Market	Lianhe Credit Rating
Asian Infrastructure Investment Bank	1.5	2.4	2022/5/26	2025/5/26	3	International Institution Bond	China Interbank Market	-
Yuexiu Transport Infrastructure	0.5	2.1	2022/5/23	2023/2/17	0.74	MTN	China Interbank Market	China Chengxin
New Development Bank	7	2.70	2022/5/20	2025/5/20	3	International Institution Bond	China Interbank Market	-
China Everbright Environment Group Limited	1.5	3.47	2022/4/20	2025/4/20	3	MTN	China Interbank Market	Lianhe Credit Rating
China Everbright Water Limited	1	3.10	2022/4/18	2022/4/18	3	MTN	China Interbank Market	Shanghai Brilliance Rating
China Everbright Greentech Limited	1.2	3.27	2022/4/8	2027/4/8	5	MTN	China Interbank Market	Lianhe Credit Rating
China Mengniu Dairy Company Limited	2.5	2.2	2022/3/22	2022/6/10	0.22	SCP	China Interbank Market	China Chengxin
China Traditional Chinese Medicine Holdings Co. Limited	1	2.32	2022/3/21	2022/10/17	0.58	SCP	China Interbank Market	China Chengxin
Yuexiu Transport Infrastructure	1	3.28	2022/3/18	2027/3/18	5	MTN	China Interbank Market	China Chengxin
Hengan International Group Co., Ltd	1.5	2.4	2022/3/18	2022/9/14	0.49	CP	China Interbank Market	China Chengxin
GLP China Holdings Limited	1	4.3	2022/3/7	2025/3/7	3	Corporate Bond	Shanghai Exchange Market	Shanghai Brilliance Rating
Hengan International Group Co., Ltd	1	2.5	2022/3/3	2022/8/30	0.49	CP	China Interbank Market	China Chengxin
Hengan International Group Co., Ltd	1	2.5	2022/3/3	2022/8/30	0.49	CP	China Interbank Market	China Chengxin
China Mengniu Dairy Company Limited	2.5	2.33	2022/2/24	2022/5/25	0.25	SCP	China Interbank Market	China Chengxin
BMW Finance N.V.	1.5	2.89	2022/2/21	2024/2/21	2	MTN	China Interbank Market	China Chengxin
BMW Finance N.V.	2.5	3.1	2022/2/21	2025/2/21	3	MTN	China Interbank Market	China Chengxin

China Traditional Chinese Medicine Co. Limited	1	2.4	2022/2/18	2022/11/15	0.74	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 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	2.97	2022/1/21	2027/1/21	5	MTN	China Interbank Market	Shanghai Brilliance Rating
Beijing Enterprises Water Group Limited	1	3.38	2022/1/21	2027/1/21	5	MTN	China Interbank Market	Shanghai Brilliance Rating
China Everbright Water Limited	1	2.50	2022/1/13	2022/6/12	0.41	SCP	China Interbank Market	Shanghai Brilliance Rating
Shenzhen International Holdings Limited	1	2.95	2022/1/10	2028/1/10	6	Corporate Bond	Shenzhen Exchange Market	Lianhe Credit Rating

Sources: Bloomberg, CCX research

Issuer Analysis: Semiconductor Manufacturing International Corporation

Issuer profile: Semiconductor Manufacturing International Corporation (SMIC) was incorporated in the Cayman Islands in April 2000. In March 2004, SMIC was listed in Hong Kong and the United States at the same time (Hong Kong Stock Exchange: 0981, NYSE: SMI), raising a total of 1.8 billion US dollars. It was listed on the Shanghai Stock Exchange in July 2020 and raised a total of 53.2 billion yuan. As of the end of 2021, Datang Holdings (Hong Kong) Investment Co., Ltd. directly holds a total of 10.79% of the company's share capital, making it the largest shareholder. The company has no controlling shareholder or actual controller. SMIC is the largest and most technologically advanced integrated circuit chip manufacturer in mainland China. The company's main business is wafer foundry. The company adopts a direct sales model. As of the end of 2021, a total of 6,747.19 thousand wafers have been delivered, an increase of 18% year-on-year. Sales in mainland China and Hong Kong are 64%, sales in North America are 22%, and sales in Europe and Asia are 14%. The wafers produced by the company are mainly used in the smartphone, smart home and consumer electronics industries. As of the end of 2021, total operating income was US\$5.443 billion, a year-on-year increase of 39.3%; gross profit margin was 30.8%, a year-on-year increase of 7.2%; net profit was US\$1.775 billion, a year-on-year increase of 165%. The company's total assets were US\$10.673 billion, the asset-liability ratio was 29.56%, the return on total assets was 4.92%, the total EBITDA debt ratio was 0.56, and the

EBITDA interest coverage ratio was 34.68. In June 2021, China Chengxin International released a follow-up rating report, maintaining SMIC's "AAA" issuer credit rating with a stable outlook.

Issuance history: Semiconductor Manufacturing International Corporation entered the Panda Bond Market in 2016 and issued a total of 9 bonds, raising 11.6 billion RMB. 6 super & short-term commercial papers, 1 short-term commercial paper and 2 medium-term notes were issued on the inter-bank bond market. The average coupon rate is 2.88% and the average spread is 61.61bp. The funds raised are mainly used to Supplement the working capital of subsidiaries and repay debts.

Table 4: Historical Issuance of SMIC in the Panda Bond Market

No.	Issue date	Maturity	Tenor	Amount (RMB billion)	Coupon (%)	Spread (BP)	Usage of Proceeds	Bond Type	Issue Market
1	2016/6/7	2017/6/7	1	0.6	2.99	59.21	Supplement working capital of subsidiaries	CP	inter-bank bond market
2	2016/6/8	2019/6/8	3	1.5	3.35	74.1	Supplement working capital of subsidiaries	MTN	inter-bank bond market
3	2019/3/4	2022/3/4	3	1.5	3.57	75.68	Repay borrowings from domestic financial institutions and supplement working capital	MTN	inter-bank bond market
4	2019/4/29	2019/10/26	0.49	0.5	3.05	67.28	Supplement working capital of subsidiaries	SCP	inter-bank bond market
5	2019/4/29	2019/10/26	0.49	1	3.1	72.28	Supplement working capital of subsidiaries	SCP	inter-bank bond market
6	2019/7/25	2020/4/20	0.74	2	3.1	57.03	Supplement working capital of subsidiaries	SCP	inter-bank bond market
7	2019/10/11	2019/12/25	0.21	1.5	2.5	22.9	Supplement working capital of subsidiaries	SCP	inter-bank bond market
8	2020/1/13	2022/5/28	0.37	1.5	2.4	41.54	Supplement working capital of subsidiaries	SCP	inter-bank bond market
9	2020/4/16	2022/8/5	0.30	1.5	1.85	84.5	Repay debts due	SCP	inter-bank bond market

Sources: Bloomberg, CCX research

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