

Chinese Dollar Bond Market Report

Half-Year

H1

2022



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New issuance of Chinese dollar bonds dropped sharply, focusing on the impact of the Fed's interest rate hike on financing costs

2022H1 Chinese Dollar Bond Market Recap

- **The new issuance of Chinese dollar bonds dropped sharply, with negative net financing amount.** There were 444 new bonds issued in 2022H1, increasing by 36.2% YoY, with a total issued volume of approximately USD59.0 billion, decreasing by 42.6% YoY. The net financing of Chinese dollar bonds was USD-41.3 billion.
- **The issuance of Chinese real estate dollar bonds dramatically dropped, while the issuance of Chengtou dollar bonds increased.** There were frequent events of real estate companies, which aggravated market concerns. Therefore, the offshore financing of Chinese real estate companies was almost at a standstill. In 2022H1, the new issuance of real estate dollar bonds was USD1.8 billion, a YoY decrease of 94.2%. Meanwhile, Chengtou issuers' willingness to issue offshore bonds through SBLC increased, issuing a total amount of USD21.6 billion, representing 124.0% YoY growth.
- **The proportion of high-yield bond issuances dropped sharply, while no ratings issuance increased.** In 2022H1, there were only 14 high-yield issuers, with issued amount of RMB3.8 billion, a decrease of 85.7% YoY and accounting for 6.4% of the new issuance. Besides, due to the significant increase in the number of Chengtou issuers that issued bonds through SBLC, there was an increase in the number of unrated issuances. In the future, the lack of ratings of Chengtou issuers deserves attention.
- **The coupon rates of Chinese dollar bond issuances increased obviously, mid and short-term Chinese dollar bonds were dominant.** In 2022Q2, as the Fed raised interest rates three times, the average coupon rate of newly issued Chinese dollar bonds soared from 3.08% in 2022Q1 to 4.39% in 2022Q2. The tenors of most Chinese dollar bonds were between 1-5 years, with total amount of USD48.5 billion, accounting for 82.1% of the new issuance.
- **The real estate companies were significantly affected by industry policies and credit events while Chengtou bonds recorded positive returns.** As of June 30, 2022, the YTD return of Chinese dollar bond was -9.80%, of which the return on investment-grade bonds was -6.47% and the return on high-yield bonds was -22.22%. The real estate sector performed weakly, with a return of -32.42% 2022H1; Chengtou bonds outperformed other sectors, recording positive returns in the second quarter, compared with a return of -0.34% in 2021H1.

Rating Actions and Credit Events

- **Negative rating surged, among which real estate companies being the most pronounced.** In 2022H1, the three major international rating agencies took rating actions on 90 Chinese issuers, including 191 negative rating actions and 30 positive rating actions. Rating actions were mainly concentrated in the real estate sector, with negative rating actions taken against 44 real estate company issuers.
- **Continued credit risk exposure of real estate companies.** In 2022H1, 20 Chinese issuers, mainly real estate companies, defaulted on their offshore bonds, with a total default amount of approximately USD18.7 billion, a sharp increase from USD3.9 billion in 2021H1. The reasons for

their default share certain commonalities, mainly due to weak sales in the real estate market, poor financial environment, multiple outbreaks of epidemics and other unfavorable factors.

Outlook

- In 2022H1, the Federal Reserve raised interest rates three times, and the 10-year treasury bond spread between China and the United States inverted, which led to a weakening of the cost advantage of US dollar bonds, and reduced the enthusiasm of Chinese companies to issue overseas bonds. The second half of the year will be the peak period of debt repayment for Chinese dollar bonds, especially in the real estate and Chengtou sectors. The offshore financing environment of real estate companies is not expected to improve significantly in the short term. Considering the tightening of Chengtou's offshore financing policy and the inversion of China-US interest rate differentials in the second half of the year, the cost advantage of Chengtou dollar bonds has weakened. It is expected that the new issuance of Chengtou dollar bonds will slow down.
- In the secondary market, real estate risks frequently occurred in 2022H1, defaulted entities continued to increase and many issuers rolled out dollar bonds. Market confidence remains fragile, and the return on high-yield bonds in the second half of the year may further decline. Investment-grade bonds are mainly issued by financial and Chengtou companies with relatively good fundamentals, and are expected to outperform high-yield bonds in the secondary market.

Introduction

In 2022H1, the Chinese dollar bond market continued to be turbulent. Geo-risks, inflation expectations, and real estate credit events repeatedly hit the market, and investors' risk appetite was low. As the Fed gradually entered the rate hike cycle, the interest rate spread between China and the United States has narrowed or even inverted due to the rising US Treasury yields, which put pressure on Chinese dollar bonds. The rising costs of Chinese dollar bond issuances, coupled with the continuous spread of real estate credit risks, have led to a significant drop in the new issuance of Chinese dollar bonds in the primary market, compared with the same period in the previous three years. In 2022H1, Chinese issuers issued 444 new bonds, with an issuance amount of approximately USD59.0 billion, a significant decrease of 42.6% YoY, and a net financing amount of USD-41.3 billion. 2022H2 is still the peak of real estate debt repayment, and the financing environment shows no signs of improving. It is necessary to pay close attention to the escalation of risk events of private real estate enterprises and the impact of risks spreading to the onshore market. The inversion of the interest rate gap between China and the United States has weakened the cost advantage of Chengtou dollar bonds, which may reduce the enthusiasm for bond issuance. With the increase of Chengtou bonds, risk exposure has increased, and the regulatory policies of the National Development and Reform Commission has shown signs of tightening. In the secondary market, the overall return of Chinese dollar bonds fell due to the impact of the real estate sector, and the high-yield grade dropped significantly, but the investment grade was relatively stable.

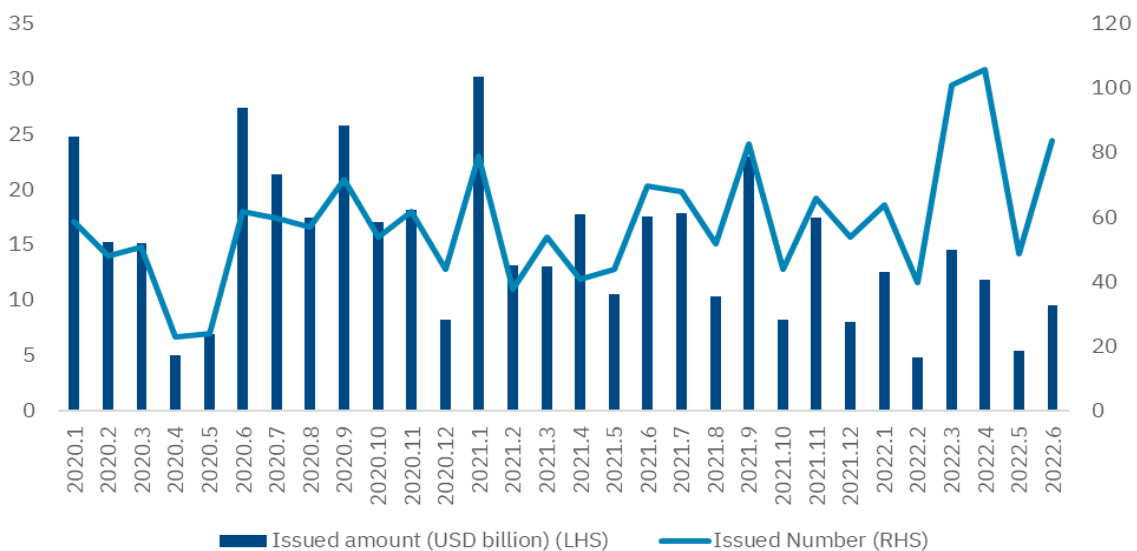
Chinese Dollar Bond Market Recap

Primary Market

The new issuance of Chinese dollar bonds dropped sharply, with negative net financing amount. The newly issued bonds in 2021H1 were mainly small-value issuances. There were 444 new bonds, increasing by 36.2% year-on-year (“YoY”), with a total issued volume of approximately USD59.0 billion, decreasing by 42.6% YoY. The new issuance volume was significantly lower than the same period in the previous three years. Since 2021, the credit risks of Chinese real estate enterprises had increased, and the offshore financing had been hindered. In 2022H1, the downward trend continued, and new issuances in the real estate sector decreased significantly. Due to the large scale of maturing real estate dollar bonds, new issuance continued to be sluggish, and the decrease in new issuance of real estate dollar bonds also led to a substantial decrease in the overall net financing amount. In 2022H1, the net financing of Chinese dollar bonds was USD-41.3 billion.

On a monthly basis, affected by the Spring Festival holiday and the sluggish market sentiment, the new issuance of Chinese dollar bonds in January and February decreased significantly. The issuance amount in January was about USD12.6 billion, and in February was USD4.9 billion, a YoY decrease of 58.3% and 63.0%, respectively. New issuances picked up in March, with an issuance amount of USD14.6 billion, a YoY increase of 10.9%. As the Federal Reserve gradually entered the interest rate hike cycle, the issuance cost increased significantly in the second quarter, resulting in a decline in the willingness of Chinese enterprises to issue dollar bonds, and the new issuance amount fell by 15.6% month-on-month. Among them, new issuances in April and May declined for two consecutive months, with issuance amounts of USD11.9 billion and USD5.4 billion, respectively. Despite the month-on-month improvement in June, the issuance amount fell by 45.5% YoY to USD9.6 billion.

Exhibit 1: Chinese dollar bonds new issuance shrink and per issue amount dropped since 2022



Source: Bloomberg, CCXAP Research

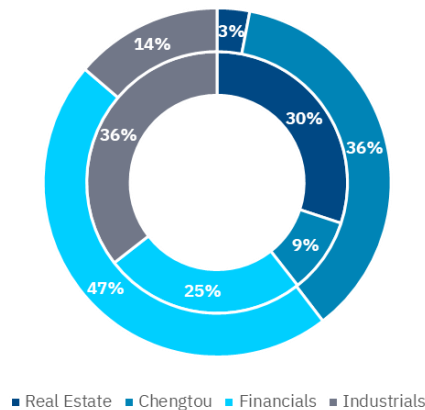
The new issuance of green and sustainable bonds increased significantly, and the role of serving "carbon peaking and carbon neutrality" became more prominent. In 2022H1, the new issuance of green bonds increased by 90.3% year-on-year to USD15.3 billion. In terms of industries, financial enterprises dominated, accounting for 51.2%, followed by Chengtong (25.1%), industrial (19.1%) and real estate enterprises (4.6%). Real estate companies were the main participators in green bonds in 2021, and in 2022H1, due to the sluggish

issuance of overall dollar bonds, the proportion of new issuance of green bonds of real estate enterprises dropped significantly. The enthusiasm for the issuance of green dollar bonds significantly raised, and the concept was widely accepted. The issuers are expected to cover all industries, and new issuance may be further increased in the future.

The issuance of Chinese real estate dollar bonds dramatically dropped, while the issuance of Chengtou dollar bonds increased. In terms of industries, real estate¹, Chengtou, financial institutions, and industrial enterprises accounted for approximately 3.0%, 36.6%, 46.6%, and 13.8% in 2022H1, respectively. Among them, there were frequent events of real estate companies as some failed to publish their audited annual reports on time and some changed auditors, and these events aggravated market concerns. Therefore, the offshore financing of Chinese real estate companies was almost at a standstill. There was no obvious improvement in January, when issuance was hot in previous years. In 2022H1, the new issuance of real estate dollar bonds was USD1.8 billion, a YoY decrease of 94.2%. In addition, the offshore issuances of the financial sector increased by 6.9% YoY to USD27.5 billion, while the issuances of industrial sector decreased by 77.8% to USD8.1 billion.

In 2022H1, the dollar bond issuance policy of Chengtou was not tightened simultaneously with the onshore Chengtou bond issuance policy, and Chengtou issuers have seized the window period before offshore supervision was tightened. Therefore, Chengtou issuers with better credit qualifications sought opportunities to issue offshore dollar bonds to broaden financing channels and replace the onshore market. In 2021H1, the issuance in onshore market showed a downward trend and decreased by 6.4% compared with the same period of the previous year. In the same period, 127 Chengtou issuers issued a total amount of USD21.6 billion, representing 124.0% YoY growth. Among them, the new issuers were mainly in Zhejiang and Jiangsu Province, with USD4.7 billion and USD4.0 billion issued, respectively. In addition, the number of Chengtou issuers entering the Chinese dollar bond market for the first time increased, hitting a record high since 2018. There were 61 Chengtou companies that made initial offerings, with an issuance amount of USD8.4 billion, accounting for 38.9% of the total issuance in the Chengtou sector. At the administrative level, the main contributors were prefecture-level and district-level bonds, accounted for 38.6% and 53.3%, respectively. However, with the window guidelines issued by the National Development and Reform Commission in April, Chengtou's offshore bond issuance policies, especially for those with weak qualifications, showed signs of tightening. In addition, the inversion of China-US interest rate spreads weakened the cost advantage of Chengtou dollar bonds. As a result, the enthusiasm for issuing dollar bonds is expected to slow down in the second half of 2022.

¹ Did not include bond issuance after exchange offer

Exhibit 2: Sector distribution of Chinese dollar bonds in 2021H1 and 2022H1


Remark: Based on issuance amount; Inner Circle is the statistics of 2021H1, Outer Circle is the statistics of 2022H1
 Source: Bloomberg, CCXAP Research

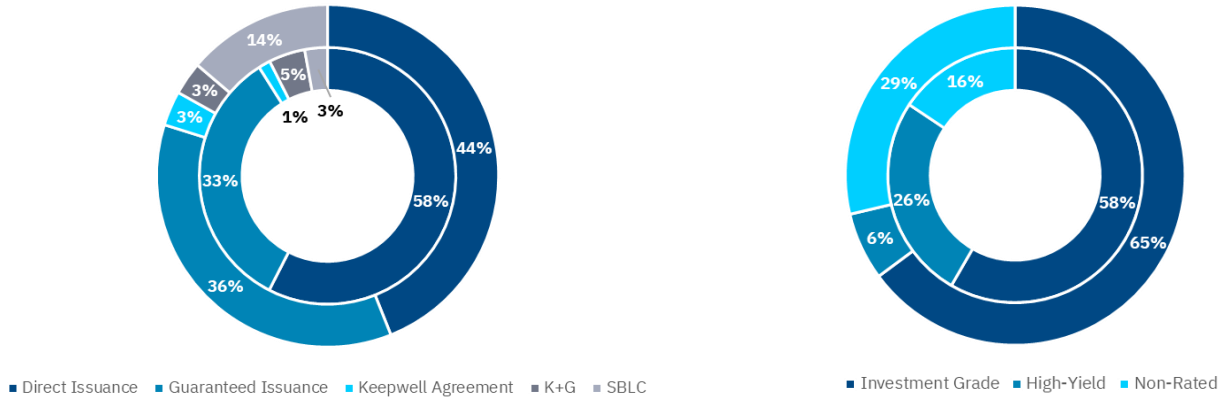
The proportion of high-yield bond issuances dropped sharply, while no ratings issuance increased. In 2022H1, there were a total of 198 Chinese dollar bond issuers, of which 80 had been rated by the three international rating agencies². In the same period, there were 66 investment-grade issuers with a total issued volume of USD38.3 billion, a decrease of 36.1% YoY and accounting for 64.9% of the new issuance. Most of the high-yield issuers were real estate companies. The tightening financing environment, coupled with operational problems, have led to a significant reduction in the number of issuers and total issuance. In 2022H1, there were only 14 high-yield issuers, with issued amount of RMB3.8 billion, a decrease of 85.7% YoY and accounting for 6.4% of the new issuance. Besides, due to the significant increase in the number of Chengtou issuers that issued bonds through SBLC, there was an increase in the number of unrated issuances. There were 118 issuers with no ratings, of which 97 issuers were from the Chengtou sector, accounting for 76.4% of the total number of Chengtou issuers. In the future, the lack of ratings of Chengtou issuers deserves attention.

From the perspective of issuance structure, in 2022H1, Chinese dollar bonds were mainly issued through direct and guaranteed issuance, with issuance amounts of USD25.9 billion and USD21.2 billion, respectively, accounting for approximately 44.0% and 35.9% of the new issuance volume. Against the background of fluctuating market risk appetite, companies with weaker credit quality have adopted credit enhancement measures to provide guarantees for offshore bond repayments. SBLC issuance had increased significantly. In 2022H1, 98 bonds were issued through SBLC, with a total issued volume of approximately USD8.1 billion, representing 181.4% YoY growth, of which Chengtou issuers at county-level were the main contributors. Bank of Zheshang, Bank of Ningbo, and Bank of Jiangsu were the main participators, providing SBLC for 17, 11 and 11 newly issued USD bonds, respectively. The effective protection of the stand-by institutions was fully affirmed by the market. However, the risk of external guarantee performance by the domestic issuing bank increases. Once the issuer could not repay the debt, the institution would be required to use domestic funds to compensate foreign investors. Moreover, a total of USD4.4 billion of Chinese dollar bonds were issued through keepwell agreements, and the issuers were mainly financial institutions such as ICBC Financial Leasing and China National Bank Financial Leasing, as well as several Chengtou issuers. However, keepwell agreements have significant limitations compared to direct issuance, guaranteed issuance and SBLC issuance. Therefore, Chengtou issuers also added SBLCs when using the keepwell agreements. Investors need to pay

² As of June 30, 2022, if there are differences among credit ratings of the three international rating agencies, the statistics shall be based on the highest rating.

more attention to the credit quality of the entity, bond terms and other details when choosing bonds issued through keepwell agreements.

Exhibit 3: Rating distribution and issuance structure in 2021H1 and 2022H1



Remark: Based on issuance amount; Inner Circle is the statistics of 2021H1, Outer Circle is the statistics of 2022H1
 Source: Bloomberg, CCXAP Research

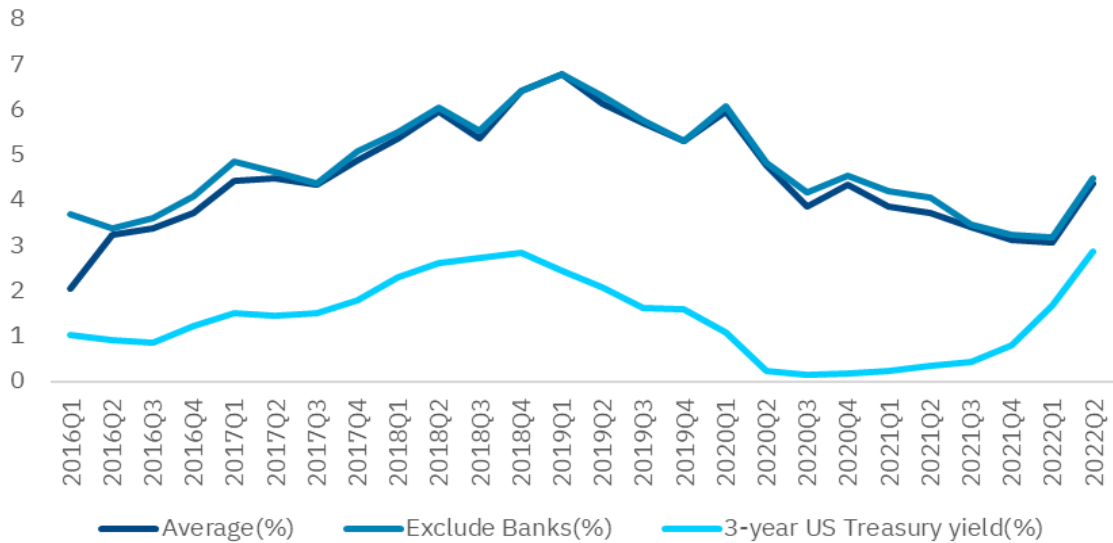
Affected by the Fed’s interest rate hike, the coupon rate of Chinese dollar bond issuance has increased significantly. In 2022Q2, as the Fed raised interest rates three times in March, May, and June, of which raising the target range of the federal funds rate by 75 basis points to 1.5%-1.75% in June, the highest rate since 1994. US Treasury yields rose as a whole. Therefore, the average coupon rate of newly issued Chinese dollar bonds soared from 3.08% in 2022Q1 to 4.39% in 2022Q2³. In terms of industries, in 2022Q2, the real estate issuers were Sino-Ocean Group, Seazen Group, and Xihu Zhongbao. As the latter two private enterprises had higher coupons for new issuance under the turmoil in the real estate industry, the average coupon rate of real estate bonds increased from 5.26% in the first quarter to 7.95% in the second quarter. Meanwhile, since Chengtuo bonds were dominated by weakly qualified county-level issuers, the average coupon rate increased from 3.21% in the first quarter to 4.49% in the second quarter.

Short- and medium-term Chinese dollar bonds dominated, with shorter average maturities. In 2022H1, most Chinese dollar bonds were between 1-5 years, with a total amount of USD48.5 billion, accounting for 82.1%. Moreover, the US Treasury yield curve had flattened, making long-term bonds less attractive. The total issuance of bonds with tenor more than 5 years was USD4.2 billion, representing 85.2% YoY decrease and accounting for 7.2% of the total issuance. The average tenor of new issuances decreased from 2.77 years in 2022Q1 to 2.54 years in 2022Q2⁴.

³ Only bonds with fixed coupon rates with no repurchase or resale clauses were counted.

⁴ Only non-perpetual bonds were counted.

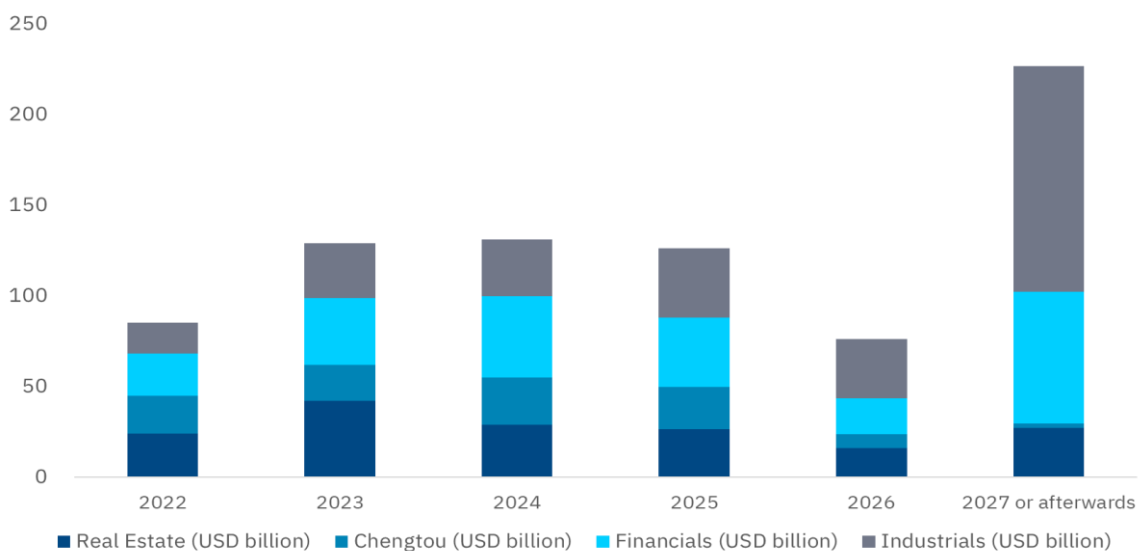
Exhibit 4: Average coupon rate of Chinese dollar bonds from 2016Q1 to 2022Q2



Source: Bloomberg, CCXAP Research

As of June 30, 2022, the outstanding amount of Chinese dollar bonds was USD774.6 billion. Among them, the amounts that will mature in 2022H2, 2023, and 2024 are USD85.2 billion, USD129.1 billion, and USD131.1 billion, respectively. From an industry perspective, the next two to three years will be the peak period for the maturity of real estate dollar bonds. The outstanding amounts that will mature in 2022H2, 2023, and 2024 are USD24.0 billion and USD42.0 billion, and USD29.0 billion, respectively. In terms of Chengtou dollar bonds, the outstanding amounts that will mature in 2022H2, 2023, and 2024 are approximately USD21.0 billion, USD19.9 billion, and USD26.0 billion, respectively. In the real estate sector, affected by the strict offshore bond financing policies and the tightening of the refinancing environment, we believe that there will still be a gap in the amount of industry financing and due debts for a period of time. Net financing in the sector is also expected to hit further lows.

Exhibit 5: The maturity distribution of Chinese dollar bonds as of end of June 2022



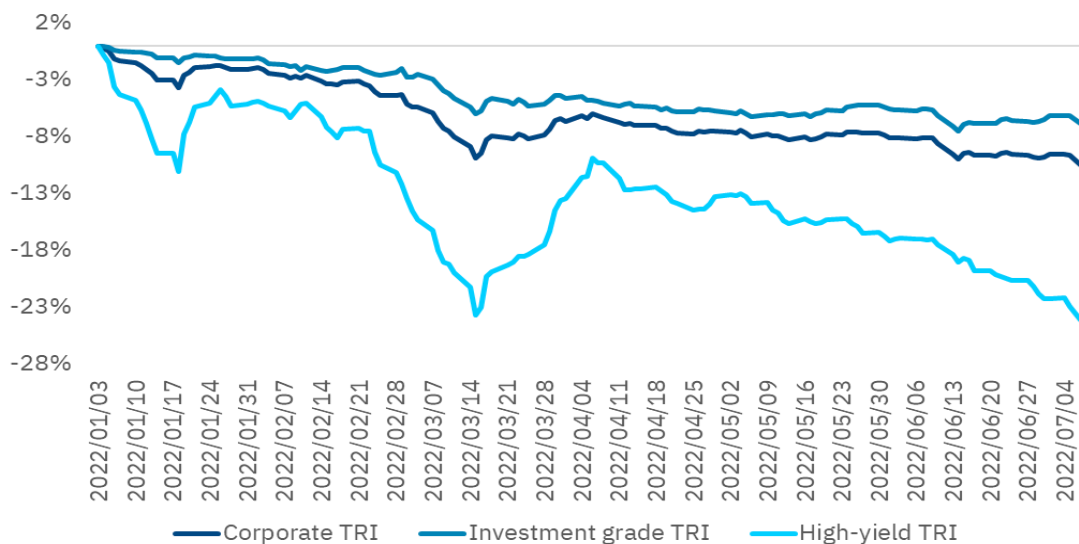
Source: Bloomberg, CCXAP Research

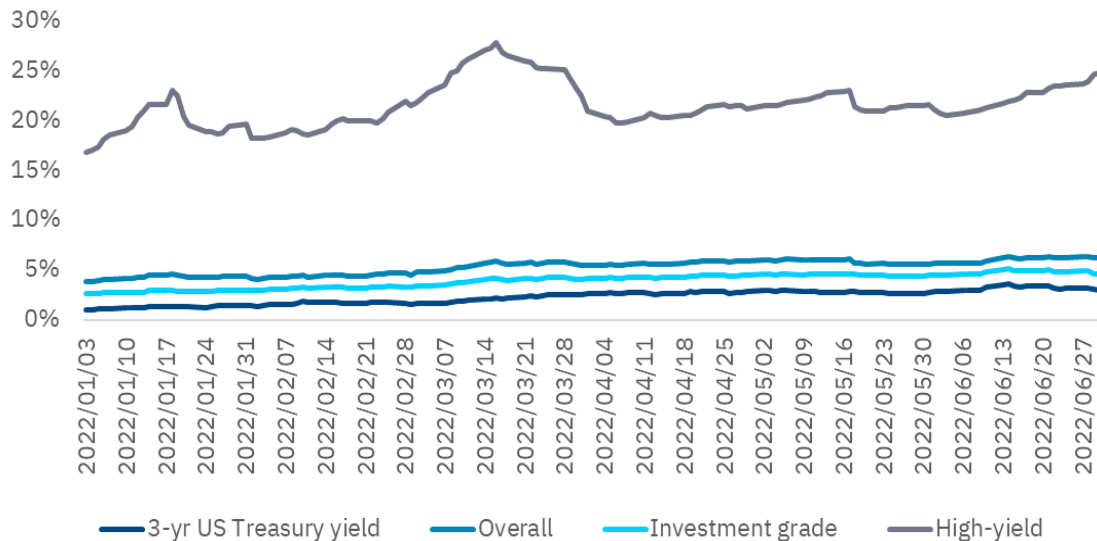
Secondary Market

The frequent occurrence of credit events in the real estate market and the sharp drop in the price of high-yield real estate bonds dragged down the overall performance of the secondary market for Chinese-funded dollar bonds. The Chinese dollar bond market was under pressure and the performance of high-yield bonds continued to deteriorate. In early 2022, several real estate companies launched exchange offers or even defaulted, many investors panic and sell their real estate bonds, causing a sharp drop in bond prices and a continuous drop in the rates of return to new lows. In late January, high-yield real estate bonds rebounded sharply due to rumors about easing the pre-sale regulatory policy. In February, due to the exposure of real estate companies credit risks along with the outbreak of geopolitical crisis in Russia and Ukraine, process in the secondary market continued to decline. On March 15, the High Yield Return Index hit a new low of -23.69%. In late March, with the support of stability policies, investment-grade real estate companies including Sino-Ocean Group, Longfor Group and Vanke Group strengthened significantly, and the price of real estate dollar bonds rebounded. In April, easing pre-sale and loans policies introduced by various regions boosted market confidence, and returns on both high-yield and investment-grade real estate dollar bonds increased. Although there was a slight rebound in early May, the high-yield sector weakened due to the subsequent negative events such as Sunac China's confirmation of default. In June, a number of real estate companies launched exchange offers or announced defaults, putting further pressure on the prices of the high-yield real estate sector. As of June 30, 2022, the year-to-date (YTD) return of Chinese dollar bond was -9.80%, of which the return on investment-grade bonds was -6.47% and the return on high-yield bonds was -22.22%.

In terms of yield, as of June 30, 2022, the yield to worst of Chinese dollar bonds was 6.39%, 256bp wider than at the beginning of the year. Among them, high-yield bonds rose sharply, with the yield to worst widening by 799bp to 24.83% from the beginning of the year. The yield to worst of investment grade bonds also widened by 194bp to 4.77% from the beginning of the year.

Exhibit 6: YTD return and Yield-to-worst on Chinese USD bond index in 2022H1





Source: Bloomberg, CCXAP Research

The real estate companies were significantly affected by industry policies and credit events, while Chengtou bonds recorded positive returns. In terms of sectors, as of June 30, 2022, real estate dollar bonds performed the worst, with a year-to-date return rate of -32.42%, followed by financial (-11.82%), non-financial (-6.88%) and Chengtou (-0.34%). Affected by credit events and market sentiment, the performance of the real estate sector continued to decline in 2022H1, with a rate of return of -32.42%. In 2022Q2, some real estate companies did not release their audited annual reports on time, resulting in continued negative public sentiments and a continuous decline in the performance of the real estate high-yield index. The financial and non-financial sectors continued to decline under the influence of the poor market environment and repeated outbreaks of the pandemic, and the degree of decline was relatively stable. In fact, Chengtou bonds significantly outperformed other sectors and recorded positive returns in the second quarter of 2022.

Table 1: Returns of Chinese dollar bonds in 2022H1 (by industry)

Markit iBoxx USD Asia ex-Japan China Index Return	2022Q1	2022Q2	2022H1
Real Estate TRI	-19.38%	-16.11%	-32.42%
- Investment Grade TRI	-8.28%	-9.05%	-17.07%
- High-Yield TRI	-27.23%	-23.16%	-43.85%
Financials TRI	-7.50%	-4.52%	-11.82%
- Investment Grade TRI	-3.71%	-2.07%	-5.97%
- High-Yield TRI	-15.18%	-11.09%	-24.48%
Non-Financials TRI	-4.84%	-1.87%	-6.88%
- Investment Grade TRI	-5.02%	-1.78%	-6.99%
- High-Yield TRI	-2.41%	-3.60%	-5.82%
Chengtou TRI	-0.67%	0.30%	-0.34%
- Investment Grade TRI	-1.37%	-0.05%	-1.41%
- High-Yield TRI	1.69%	1.70%	3.48%

Source: Bloomberg, CCXAP Research

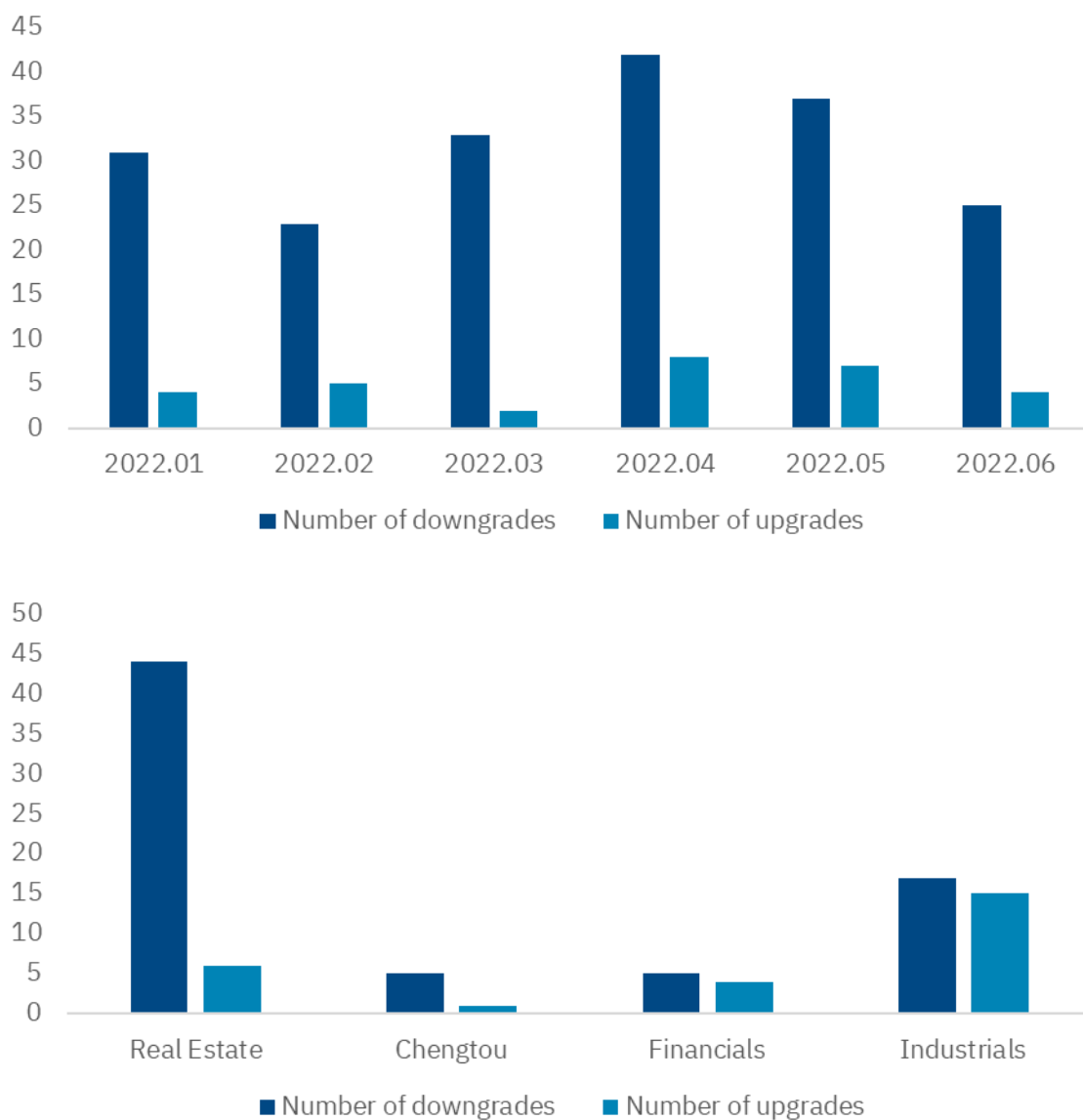
Rating Actions and Credit Events

Negative ratings have surged, most notably by real estate companies. In 2022H1, the three major international rating agencies took rating actions on 90 Chinese issuers⁵, including 191 negative rating actions

⁵ 7 issuers have been both downgraded and upgraded

and 30 positive rating actions⁶. Negative rating actions accounted for 86.4% of all rating actions. The credit quality of Chinese issuers has deteriorated with the downward pressure on the economy. In terms of industry distribution, rating actions were mainly concentrated in the real estate industry, mainly due to issuer defaults or weakening of their business and financial strength. Negative rating actions were taken against 44 real estate company issuers in 2022H1, of which 6 issuers were downgraded for selective default due to completion of exchange offers. Negative rating actions were also taken against Chengtou issuers. The three major international rating agencies have taken negative rating actions on five Chengtou companies, mainly due to the increase in issuer’s refinancing risks and the tightening of financing conditions in the region amid the economic downturn. These companies are located in Gansu, Yunnan and other places with weak economic fundamentals. Furthermore, the performance of companies in other industries was divided, with 17 downgraded and 15 upgraded, respectively. The issuers whose ratings were upgraded were mainly distributed in industrial (6) and raw materials (6), driven by improved financial conditions and improved operating performance.

Exhibit 7: Rating actions and issuer rating changes from January 2022 to June 2022



Source: Bloomberg, CCXAP Research

⁶ Rating actions include rating adjustment, outlook adjustment, and inclusion/removal from the watching list

Continued credit risk exposure of real estate companies. According to Bloomberg, 20 Chinese issuers, mainly real estate companies, defaulted on their offshore bonds in 2022H1, with a total default amount of approximately USD18.7 billion, a sharp increase from USD3.9 billion in 2021H1. In 2022H1, there were 13 new defaulting entities, including Dafa Real Estate, Guorui Real Estate, Xiangsheng Holdings, and Yuzhou Group. The reasons for their default share certain commonalities, mainly due to weak sales in the real estate market, poor financial environment, multiple outbreaks of pandemic, and other unfavorable factors. This leads to blockage of financing channels, deterioration of liquidity, and eventual default. As of June 30, 2022, Non-default real estate companies will have to pay approximately USD13.3 billion in principal and interest in 2022H2. As the real estate industry continues to slump, more entities may default or face risk events in 2022H2.

Table 2: Credit events of Chinese issuers in offshore market in 2022H1

Enterprise	Defaulted events
China Aoyuan	On January 19, China Aoyuan Group Limited (“China Aoyuan”) announced that it will not make payments of: (i) the remaining principal and the last instalment of interest of the January 2022 Notes due 20 January 2022 and 23 January 2022, with principal amount of USD188 million and USD500 million respectively; and (ii) the latest instalment of interest under the Notes due June 2023 and the Notes due June 2024 upon expiry of the applicable 30-day grace period, with principal amount of USD200 million and USD200 million respectively. The aggregate outstanding principal amount of the Notes is approximately USD1,088 million. China Aoyuan intends to adopt the same principle in respect of its other offshore financial indebtedness. Events of default will occur (or have occurred) under all other offshore financial indebtedness of the Company.
Yango Group	On February 18, Yango Group Co., Ltd (“Yango”) announced that due to the adverse influence of the macroeconomic, industry, and financing environment, the Company’s liquidity was tense, and it failed to repay the interests on two offshore bonds of USD27.2625 million within the 30-day grace period (i.e. February 15, 2022), which constitutes an event of default. It may trigger the relevant terms of domestic bonds and other products.
Dafa Properties	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.
Guorui Properties	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.
Yuzhou Group	On March 7, Yuzhou Group Holdings Company Limited (“Yuzhou Group”) announced that the company has failed to make the interest payment of USD21.25 million within the 30-day grace period on 8.5% senior notes due on 2023, constituting an event of default. On March 31, Yuzhou Group Holdings Co., Ltd. (“Yuzhou Group”) announced that the interest on the 8.50% senior notes due 2024 in the amount of USD21 million, the interest on the 7.70% senior notes due 2025 in the amount of USD15 million, and the interest on the 7.85% green senior notes due 2026 in the amount of USD12 million became due and payable and the grace period for the interest payment of these securities has expired, and the Company did not make the payment by the expiry, which constitutes an event of default.
Shinsun Holdings	On March 21, Shinsun Holdings (Group) Co., Ltd. (“Shinsun Holdings”) announced that the company fail to pay the USD2 million interest on the USD200 million senior notes due 2023 in the principal amount before the expiration of the 30-day grace period constitutes an event of default.
Zhenro Properties	On April 10, Zhenro Properties Group Ltd., (“Zhenro Properties”) announced that the company did not pay approximately USD32 million in interest on the May 2020 Notes and the June 2021 Notes within the 30-day grace period, which constituted an event of default.
E-House China	On April 18, E-House (China) Enterprise Holdings Co., Ltd. (“E-House China”) announced that the company failed to repay about USD300 million in notes on April 18, 2022 (the maturity date of the notes), which constituted an event of default.

Hongkun Weiye	On May 10, Beijing Hongkun Weiye Real Estate Development Co., Ltd. ("Hongkun Weiye") issued an announcement stating that it failed to repay USD14,233,750 interest on USD bonds BJHKWY 14.75 10/08/22 which constitutes an event of default.
Sunac China	On May 12, Sunac China Holdings Co., Ltd. ("Sunac China") announced that it is not expected to pay interest on four senior notes due in April with approximate amount over USD100 million. As of the announcement date, Sunac China have not yet been paid relevant payments, which constitutes an event of default.
Wuhan Dangdai	On June 16, Wuhan Dangdai Science & Technology Industries (Group) Co., Ltd. ("Wuhan Dangdai") issued an announcement stating that the company failed to pay the interest on USD bond DANDAI 9.25 11/15/22 bills payable on May 16 within the 30-day spending grace period., constitutes an event of default.
Jingrui Holdings	On June 20, Jingrui Holdings Co., Ltd. ("Jingrui Holdings") announced that it has not paid over USD59 million interest on the company's 4 senior notes listed on the Stock Exchange which constituted an event of default.
Skyfame Realty	On June 27, Skyfame Realty (Holdings) Ltd. ("Skyfame Realty") announced that the company had a mortgage loan with a financial institution in Hong Kong, and the outstanding principal was HKD340 million. Since the lender failed to approve the extension of the loan after the grace period, Tianyu Property was unable to immediately repay the outstanding principal and accrued and unpaid interest of the loan.
Shimao Group	On July 3, Shimao Group Holdings Co., Ltd. ("Shimao Group") announced that the USD1 billion bond due on July 3 could not be repaid with principal and interest, which constituted an event of default.
Ronshine China	On July 10, Ronshine China Holdings Co., Ltd. ("Ronshine China") announced that the company has recently had two senior notes with interest due and unpaid, namely "June 2023 Notes" due on June 9 2022. The interest payable of USD12.798 million and the interest of USD15.0675 million due on June 15 2022 for the "December 2023 Notes", the aggregate outstanding principal amount of the Notes is approximately USD27.8655 million, constituted an event of default.
Enterprise	Credit Events
Yincheng International	On February 25, Yincheng International Holdings Co., Ltd. ("Yincheng International") announced that it has decided to accept the 11.8% senior notes due March 16, 2022 for an exchange offer, with an outstanding principal of USD165 million.
Redco Properties	On March 14, Redco Properties Group Limited ("Redco Properties") announced that it initiated an offer to repurchase outstanding USD197 million bond due in April 2022 and USD305 million bonds due in August 2022 and USD150 million bonds due in May 2023 to replace bonds due in 2023.
Zhongliang Holdings	On April 28, Zhongliang Holdings Group Co., Ltd. ("Zhongliang Holdings") announced that it will conduct exchange offers and consent solicitations for two notes due in 2022. The total remaining amount is USD750 million.
Logan Group	On May 12, a relevant person stated that Logan Group Co., Ltd. ("Logan Group") is communicating with investors about the extension of offshore bond, the total amount is approximately USD5.6 billion.
Datang Group	On May 23, Datang Group Holdings Co., Ltd. ("Datang Group") announced that it has conducted exchange offers its 12.5% USD300 million bond, with the due date in June 2022.
Jinke Property	On May 23, Jinke Property Group Co., Ltd. ("Jinke Property ") announced that it intends to adjust the repayment time of the "20 Jinke 03" bond principal to within 12 months from May 28, 2022. Past interest payable and unpaid on the bonds will be paid in one lump sum on the original maturity date.
JiaYuan International	On May 23, Jiayuan International Holdings Co., Ltd. ("Jiayuan International") said the company failed to pay JIAYUA 12 10/30/22 interest of USD24 million on schedule and entered a 30-day grace period.
Zhongnan Construction	On May 24, Jiangsu Zhongnan Construction Group Co., Ltd. ("Zhongnan Construction") issued an announcement stating that it has made exchange offers for two of its USD bonds, one of which agreed to solicit amendments to the contract, and the outstanding principal amount of the three notes with total amount of USD470 million.
Greenland Holdings	On May 27, Greenland Holding Group Co., Ltd. ("Greenland Holding") issued an announcement stating that it has sought approval for contract amendments and exemptions for a USD488 million bond due on June 25.
Leading Holdings	On June 13, Leading Holdings Group Ltd. ("Leading Holdings") announced that it intends to make an exchange offer for a 12% senior note due on June 28, with an outstanding amount of USD123 million.

Sansheng Holdings	On June 22, Sansheng Holdings (Group) Co., Ltd. ("Sansheng Holdings") announced that it intends to offer to exchange a 13% senior note due in 2022 with an outstanding amount of USD100 million.
Powerlong Real Estate	On July 4, Powerlong Real Estate Holdings Co., Ltd. ("Powerlong Real Estate") announced that the outstanding 4.0% senior notes due in July 2022 and the outstanding 7.125% senior notes due in November 2022, along with the fourth tranche of the 2022 Notes for an exchange offer.
Huijing Holdings	On July 7, Huijing Holdings Co., Ltd. ("Huijing Holdings") announced that in order to extend the maturity period of the company's bond and improve the debt structure, it will conduct relevant "HUIJHK 12.5 07/21/22" to qualified holders. exchange offer.
Shangkun Real Estate	On July 8, Shangkun Real Estate Group Co., Ltd. ("Shangkun Real Estate") announced an exchange offer for the outstanding 12.25% senior notes due in July 2022. The notes have an untapped principal of USD210 million.

Source: Public information, CCXAP Research

Outlook

As the U.S. inflation remaining high and the Fed's hawkish attitude, it is clear that the Fed will adopt more aggressive interest rate hikes and tapering policies in the future, driving up the U.S Treasury yield. The United States released the latest June consumer price index (CPI) in July at 9.1%, higher than the market expectations of 8.8%, which is the highest since 1981. The market expects the Fed to raise interest rates significantly in 2022H2 and raise interest rates by 100 basis points at the FOMC meeting in September. The China-US 10-year treasury yield spread inverted, fell sharply from 114 basis points at the beginning of the year to -19.2 basis points at the end of June. The cost advantage of offshore financing may fade and reduce the incentive for Chinese companies to issue overseas bonds. The second half of 2022 will still be the peak bond repayment period for Chinese dollar bonds, especially in the real estate and Chengtuo sectors. The refinancing needs of Chengtuo companies will partially support the new issuance of Chinese dollar bonds. However, under the impact of the ensuing credit events, the dollar bond market lacks confidence in the relaxation of real estate policies to improve real estate enterprises. The overseas financing environment of real estate enterprises is not expected to improve significantly in the second half 2022, and the net financing will maintain a large outflow. In the secondary market, real estate risky bonds were issued frequently in the first half of 2022, defaulting entities continued to increase, and many issuers rolled over dollar bonds. Market confidence still remain fragile, and the return on high-yield bonds in the second half of 2022 may further decline. Investment-grade bonds are mainly issued by financial and Chengtuo companies, which fundamentals are relatively good and we expect that the secondary market will perform well in high-yield bonds.

The debt resolution work of real estate enterprises is still in progress, the financing ability of high-leverage private real estate enterprises has not yet improved substantially. Real estate companies with tight cashflow and high debt repayment pressure will face severe challenge in the future, and new defaulted entities may occurred. The recent suspension of pre-sale housing loans has continued to ferment, and risk of real estate market may spread to financial institutions. Although 15 banks have said that the mortgage risks are still manageable, they will need to watch the mortgage risks closely. At the same time, it is necessary to aware that the risk of overseas bond market may infiltrate to the domestic market. Consider the tightening of Chengtuo overseas financing policy and the inversion of China-US 10-year treasury yield spread will weaken the cost advantage of Chengtuo dollar bonds, it is expected that less Chengtuo dollar bonds will be issued. Chengtuo companies still rely on banks' standby letter of credit issuance, which is followed by the lack of ratings of Chengtuo companies. The lack of a comprehensive analysis of their credit fundamentals also causes a substantial increase in the risk of domestic issuing banks' performance of external guarantee.

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