

Chinese Dollar Bond Market Report

Quarter 3

Q3

2022



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The new issuance of Chinese dollar bonds has dropped sharply, and attention should be paid to the impact of the Fed's interest rate hike on financing costs in Q4

2022Q3 Chinese Dollar Bond Market Recap

- **The new issuance of Chinese dollar bonds dropped sharply, with negative net financing amount.** In 2022Q3, 200 new bonds were issued, decreasing by 1.5% YoY, and the total issued volume was approximately USD16.6 billion, decreasing by 67.6% YoY. The net financing amount of Chinese dollar bonds was USD-291.9 billion.
- **The issuance of Chinese real estate dollar bonds has almost stagnated, while Chengtou's willingness to issue dollar bonds has increased.** As there were frequent defaults of real estate companies, investors' risk appetite has weakened significantly. The offshore financing of Chinese real estate companies has dropped dramatically. In 2022Q3, there were only 3 real estate dollar bond issuers, with new issuance amount of USD360 million, representing a YoY decrease of 96.7%. In terms of sector distribution, the issued amount of real estate, Chengtou, financial institutions and industrial enterprises accounted for approximately 2.2%, 57.2%, 10.5% and 30.1% in 2022Q3, respectively.
- **High-yield bond issuances dropped sharply, while Chengtou bonds constituted the majority of nonrated issuances.** In 2022Q3, there were only 7 high-yield issuers, with issued amount of USD950 million, a YoY decrease of 89.9%, accounting for 5.7% of new issuance. In addition, some Chengtou issuers issued bonds through SBLC, making Chengtou bonds the subject of nonrated issuance. In the future, we should pay attention to the lack of ratings for the Chengtou issuers.
- **The coupon rates of Chinese dollar bonds has increased significantly, with short and medium term Chinese dollar bonds being dominant.** In 2022Q3, as the Fed raised interest rates twice, the average coupon rate of newly issued Chinese dollar bonds soared from 4.39% in 2022Q2 to 5.66% in 2022Q3. The tenors of most Chinese dollar bonds were between 1-5 years, with a total issuance of USD13.6 billion, accounting for 81.8% of the new issuance.
- **Affected by policy support such as the national bailout fund and China Bond Insurance's credit enhancement, the real estate sector was boosted in Q3.** As of September 30, 2022, the YTD return of Chinese dollar bond was -12.85%, of which the return on investment-grade bonds was -9% and the return on high-yield bonds was -27.36%. The performance of the real estate sector was weak, with a return of -40.04% for the first three quarters of 2022. Chengtou bonds outperformed other sectors, recording positive returns in the second quarter, compared with a return of -0.74% in the first three quarters.

Rating Actions and Credit Events

- **Negative rating actions prevailed, with real estate companies and AMCs being downgraded.** In 2022Q3, the three major international rating agencies took rating actions on 80 Chinese issuers, with 110 negative rating actions and 11 positive rating actions. Rating actions were mainly concentrated in the real estate and financial sectors, with negative rating actions taken against 32 real estate issuers and 18 financial issuers.
- **Continued credit risk exposure of real estate companies.** In the first three quarters of 2022, 30 Chinese issuers, mainly real estate companies, defaulted on their offshore bonds. These defaults

totaled approximately USD25.2 billion, up 341.3% from USD5.7 billion in the same period a year earlier. Despite the frequent promulgation of favorable real estate policies in the third quarter, the real estate market has not yet recovered, and financing for private real estate companies has not yet resumed. The companies' financing cash flow continued to flow out, and credit risk events such as extensions and defaults occurred frequently.

Outlook

- In 2022Q3, the Federal Reserve raised interest rates twice, and the 10-year treasury bond spread between China and the United States was inverted, which led to a weakening of the cost advantage of US dollar bonds. As a result, there was reduced enthusiasm from Chinese companies to issue overseas bonds. US inflation in October was lower than expected, and the pace of interest rate hikes by the Federal Reserve is expected to slow down in the future, but the rate hikes will not stop. The fourth quarter of the year will still be the peak period of debt repayment for Chinese dollar bonds, especially for the financial and Chengtou sectors. The overseas financing environment for real estate companies is expected to improve slightly in the future, but there will be no significant improvement in the short term. Considering the Chengtou's offshore financing policy is still strict in the fourth quarter, and the widening inverted interest rate spread between China and US has weakened the cost advantage of Chengtou dollar bonds, it is expected that the new issuance of Chengtou dollar bonds will slow down.
- In the secondary market, real estate risks frequently occurred in the first three quarters of 2022, and the number of defaulting entities continued to increase. Many issuers rolled over dollar bonds, and market confidence remained fragile. Therefore, the returns on high-yield bonds may decline further in the fourth quarter of the year. Investment-grade bonds are mainly issued by financial and Chengtou companies with relatively good fundamentals, and they are expected to outperform high-yield bonds in the secondary market.

Introduction

In 2022Q3, the Chinese dollar bond market continued to be turbulent and U.S. inflation continued to be high. The Federal Reserve raised interest rates by 75 basis points in July and September, respectively, and the yield of U.S. Treasury bonds rose, resulting in the interest rate spread between China and the United States to invert. In the third quarter, the issuance costs of Chinese dollar bonds increased significantly, coupled with the continuous default announcements by real estate companies, has weakened the market's confidence in Chinese dollar bonds, and the new issuance of Chinese dollar bonds in the primary market was significantly lower than the same period of the previous three years. In 2022Q3, Chinese issuers issued 200 new bonds, with an issuance amount of approximately USD16.6 billion, a significant decrease of 67.6% YoY, and a net financing amount of USD-29.2 billion. Although "ensuring the timely delivery of presold homes" is one of the key tasks of the Chinese Central Government in the third quarter, the direct financing channels of real estate companies have not improved significantly in the third quarter, and it is necessary to pay close attention to the escalation of risk events of private real estate enterprises and changes in financing policies for private real estate companies. The National Development and Reform Commission ("NDRC") has stricter regulatory policies on Chengtou dollar bonds. In the September window guidance, the NDRC put forward higher requirements for the quality of the entity and review of SBLC for low-quality Chengtou issuance. In the third quarter, the issuance of Chengtou dollar bonds increased slightly by 5.5% YoY, and the risk exposure also increased. Investors' risk appetite has weakened significantly. In the secondary market, due to the impact of the real estate sector, the overall return of Chinese dollar bonds fell, with the high-yield grade dropped significantly, while the investment grade was relatively stable. Affected by policy support such as the national

bailout fund and China Bond Insurance’s credit enhancement, the real estate sector was boosted in the third quarter.

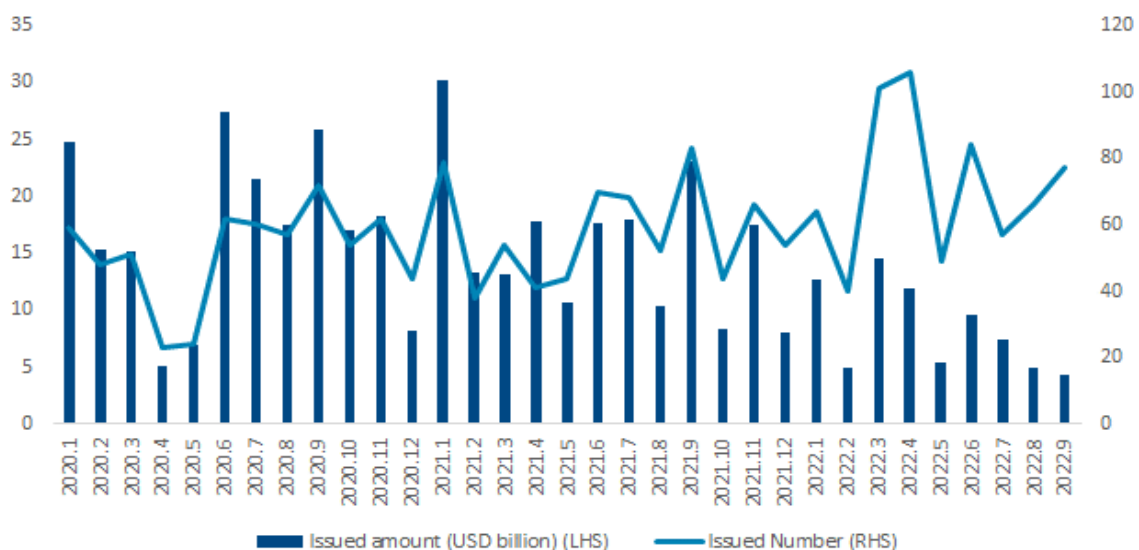
Chinese Dollar Bond Market Recap

Primary Market

The new issuance of Chinese dollar bonds dropped sharply, with negative net financing amount. In 2022Q3, 200 new Chinese dollar bonds were issued, decreasing by 1.5% year-on-year (“YoY”), and the total issued volume was approximately USD16.6 billion, decreasing by 67.6% YoY. The new issuance volume was significantly lower than the same period of the previous three years. Since 2021, the credit risks of Chinese real estate enterprises have increased, and offshore financing has been hindered. In 2022Q3, 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 sharp drop in overall net financing. In 2022Q3, the net financing amount of Chinese dollar bonds was USD-29.2 billion.

On a monthly basis, the Federal Reserve raised interest rates by 75 basis points in July and September, respectively, and the issuance costs further increased in the third quarter, which in turn weakened the willingness of Chinese companies to issue dollar bonds. New issuances fell for three consecutive months in July, August, and September, with issuances of USD7.4 billion, USD4.9 billion and USD4.3 billion, respectively.

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



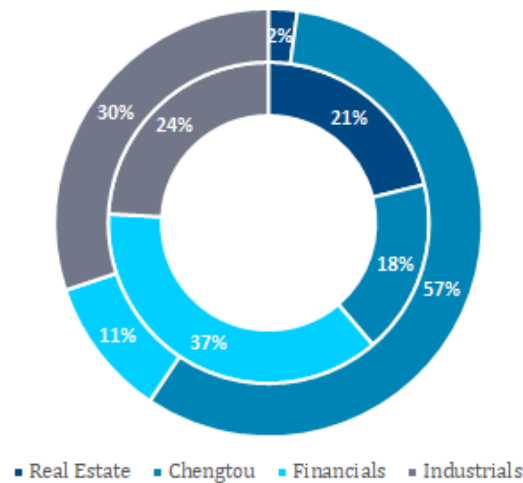
Source: Bloomberg, CCXAP Research

The issuance of Chinese real estate dollar bonds has almost stagnated, while Chengtou’s willingness to issue dollar bonds has increased. In terms of industries, real estate¹, Chengtou, financial institutions, and industrial enterprises accounted for approximately 2.2%, 57.2%, 10.5%, and 30.1% in 2022Q3, respectively. Defaults of Chinese real estate companies continued to occur. In the third quarter, there were a total of 12 newly defaulted real estate companies, including Logan Group and Jiayuan International. Overseas financing of Chinese real estate companies has dropped dramatically for three consecutive months. In 2022Q3, USD360

¹ Did not include bond issuance after exchange offer

million of real estate dollar bonds were newly issued, a YoY decrease of 96.7%. At the end of September, according to media reports, the regulatory authorities instructed several large state-owned banks, including China Construction Bank and Bank of China, to increase real estate financing by at least RMB100 billion within the coming year. Financing methods include bond investment, development loans, and residential mortgage loans. New real estate financing can reach RMB600 billion by the end of the year, but there is still a certain gap in the direct financing of real estate. Although "ensuring the timely delivery of presold homes" is one of the key tasks of the Chinese central government in the third quarter, it is more aimed at the completion of real estate projects rather than direct financing of real estate companies, so the financing channels of real estate companies have not been improved significantly. In addition, offshore issuance in the financial sector fell 90.8% YoY to USD1.8 billion, while issuance in industrial sector fell 59.9% to USD5 billion.

In 2022Q3, NDRC had implemented stricter regulatory policies on Chengtou dollar bonds. In the September window guidance, NDRC had new requirements for review of SBLC and international ratings. First, an overseas rating must be provided during the application process, and the rating report could be used as an important reference document in the review process. In addition to the three major rating agencies, overseas ratings also include Chinese overseas rating agencies. Second, the issuers with poor quality need to issue through SBLC. SBLC banks need to have an international rating, and at the same time issue a letter of compliance and send a copy to the corresponding financial regulatory department. Chengtou issuers with poor quality have higher requirements in terms of entity quality and SBLC review. However, Chengtou issuers with better quality can still obtain the opportunity to issue offshore dollar bonds, broaden the diversified financing channels, and some of the newly issued Chengtou dollar bonds are used for refinancing. On the whole, Chengtou still has a certain demand for the issuance of offshore dollar bonds. In 2022Q3, issuance in the onshore market showed a downward trend, down 12% YoY. In the same period, 52 Chengtou issuers issued a total of USD9.5 billion, representing 5.5% YoY growth. Among them, the new issuers were mainly in Jiangsu and Shandong Province, issuing USD1.7 billion and USD1.7 billion, respectively. In addition, 17 Chengtou issuers entered the Chinese dollar bond market for the first time, with an issuance amount of USD2.3 billion, accounting for 24.4% of the total issuance by the Chengtou sector. At the administrative level, the main contributors were prefecture-level and district-level bonds, accounting for 53.6% and 40.9%, respectively. However, following the window guidance issued by NDRC in April and September, Chengtou's offshore bond issuance policy, especially for those with weak quality, had been further tightened. In addition, the expanded inverted spreads between China-US interest rates had weakened the cost advantage of Chengtou dollar bonds and reduced its enthusiasm for issuing dollar bonds. As a result, some Chengtou companies chose to issue RMB bonds in the free trade zone. In 2022Q3, 9 Chengtou companies issued RMB bonds in the free trade zone, with a total issuance of approximately USD960 million. In view of the high cost of US dollar bonds and stricter regulatory policies for bond issuance, especially the September window guidance from NDRC, it is expected that the new issuance of Chengtou dollar bonds will slow down in 2022Q4.

Exhibit 2: Sector distribution of Chinese dollar bonds in 2021Q3 and 2022Q3


Remark: Based on issuance amount; Inner Circle is the statistics of 2021Q3, Outer Circle is the statistics of 2022Q3
 Source: Bloomberg, CCXAP Research

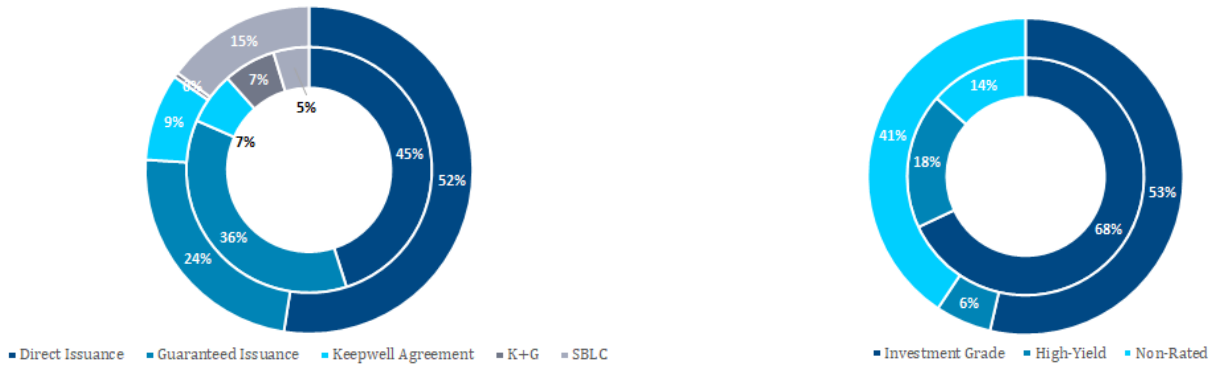
The proportion of high-yield bond issuances dropped sharply, while Chengtou bonds constituted the majority of nonrated issuances. In 2022Q3, there were a total of 79 Chinese dollar bond issuers, of which 33 had been rated by the three international rating agencies². During the same period, there were 26 investment-grade issuers, with a total issued volume of USD8.9 billion, a YoY decrease of 74.5%, and accounting for 53.6% of new issuance. Most of the high-yield issuers were Chengtou companies. Affected by the tightening of real estate policies and default events, the number of real estate issuers has decreased significantly, resulting in a sharp decline in the issuance of high-yield issuers. In 2022Q3, there were only 7 high-yield issuers, with issued amount of RMB950 million, a YoY decrease of 89.9%, accounting for 5.7% of the new issuance. Besides, some Chengtou issuers issued bonds through SBLC, making Chengtou bonds the subject of nonrated issuance. There were 46 unrated issuers, including 32 issuers from the Chengtou sector, accounting for 61.5% of the total number of Chengtou issuers. In the future, we should pay attention to the lack of ratings for Chengtou issuers.

From the perspective of issuance structure, in 2022Q3, Chinese dollar bonds were mainly issued through direct and guaranteed issuance, with issuance amounts of USD8.7 billion and USD3.9 billion, respectively, accounting for approximately 52.5% and 23.5% of the new issuance volume. The issuance amounts decreased by 62.3% and 79.1% YoY, respectively. Against the background of fluctuating market risk appetites, companies with weaker credit quality have adopted credit enhancement measures to provide guarantees for offshore bond repayments. SBLC issuance had increased. In 2022Q3, 30 bonds were issued through SBLCs, with a total issued volume of approximately USD2.5 billion, representing 2.6% YoY growth, of which Chengtou issuers at county-level were the main contributors. China Bohai Bank and Huishang Bank were the main participators, each providing SBLCs for 5 newly issued USD bonds. The effective protection of SBLC providers has been fully affirmed by the market. However, the risk of external guarantees of domestic SBLC banks had increased. Institutions would be required to use domestic funds to compensate foreign investors should the issuer be unable to repay the debt. Moreover, a total of USD1.4 billion of Chinese dollar bonds were issued

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

through Keepwell agreements, a decrease of 59% YoY. The issuers were Guangzhou Industrial Investment Fund Management Co., Ltd. and several Chengtou issuers.

Exhibit 3: Rating distribution and issuance structure in 2021Q3 and 2022Q3



Remark: Based on issuance amount; Inner Circle is the statistics of 2021Q3, Outer Circle is the statistics of 2022Q3
 Source: Bloomberg, CCXAP Research

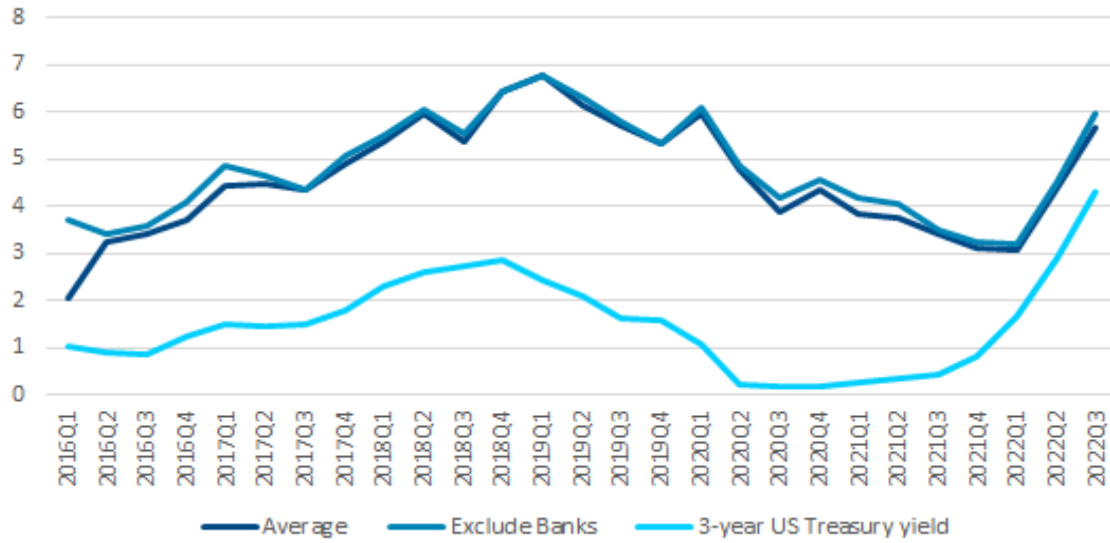
Affected by the Fed’s interest rate hike, the coupon rates of Chinese dollar bonds have increased significantly. In 2022Q3, as the Fed raised interest rates twice in July and September, each raising the target range of the federal funds rate by 75 basis points, the US Treasury yields generally rose. As a result, the average coupon rate of newly issued Chinese dollar bonds soared from 4.39% in 2022Q2 to 5.66% in 2022Q3³. In terms of industries, in 2022Q3, the real estate issuers were Excellence Commercial Management and Red Star Macalline Group and LVGEM (China). The SBLCs of the first two private companies were provided by China Merchants Wing Lung Bank and Bank of Shanghai, respectively. The average coupon rate of real estate bonds decreased from 7.95% in 2022Q2 to 5.17% in 2022Q3. Meanwhile, since Chengtou bonds were dominated by county-level issuers with weak quality, the average coupon rate increased from 4.49% in 2022Q2 to 5.51% in 2022Q3.

Short- and medium-term Chinese dollar bonds dominated, with shorter average maturities. In 2022Q3, the tenor of most Chinese dollar bonds were between 1 to 5 years, with a total amount of USD13.6 billion, representing 66.1% YoY decrease and accounting for 81.8% of the total issuance. Moreover, since July this year, the 2-year and 10-year yields of U.S. Treasury bonds have been inverted, making long-term bonds less attractive. The total issuance of bonds with a tenor of more than 5 years was USD3.0 billion, representing 73.0% YoY decrease and accounting for 18.2% of the total issuance. The average tenor of new issuances decreased from 2.54 years in 2022Q2 to 1.82 years in 2022Q3⁴.

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

⁴ Only non-perpetual bonds were counted.

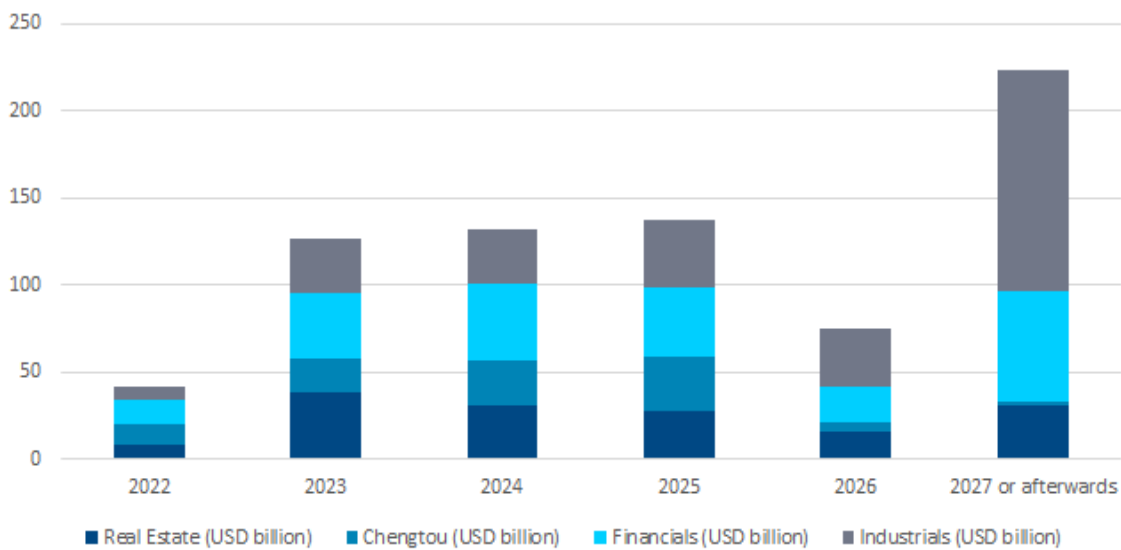
Exhibit 4: Average coupon rate of Chinese dollar bonds from 2016Q1 to 2022Q2



Source: Bloomberg, CCXAP Research

As of September 30, 2022, the outstanding amount of Chinese dollar bonds was USD736.1 billion. Among them, the amounts that will mature in 2022Q4, 2023, and 2024 are USD41.4 billion, USD126.1 billion, and USD131.8 billion, respectively. From an industry perspective, the next two to three years will be the peak period for the maturity of financial dollar bonds. Outstanding amounts due in 2022Q4, 2023, and 2024 are USD14.1 billion, USD37.6 billion and USD44.5 billion, respectively. As for real estate dollar bonds, the next one to two years will be the peak period for their maturity. Outstanding amounts due in 2022Q4, 2023, and 2024 are USD8.6 billion, USD38.4 billion and USD30.7 billion, respectively. In terms of Chengtou dollar bonds, the outstanding amounts due in 2022Q4, 2023, and 2024 are approximately USD11.2 billion, USD19.2 billion and USD25.6 billion, respectively.

Exhibit 5: Maturity distribution of Chinese dollar bonds as of end of September 2022



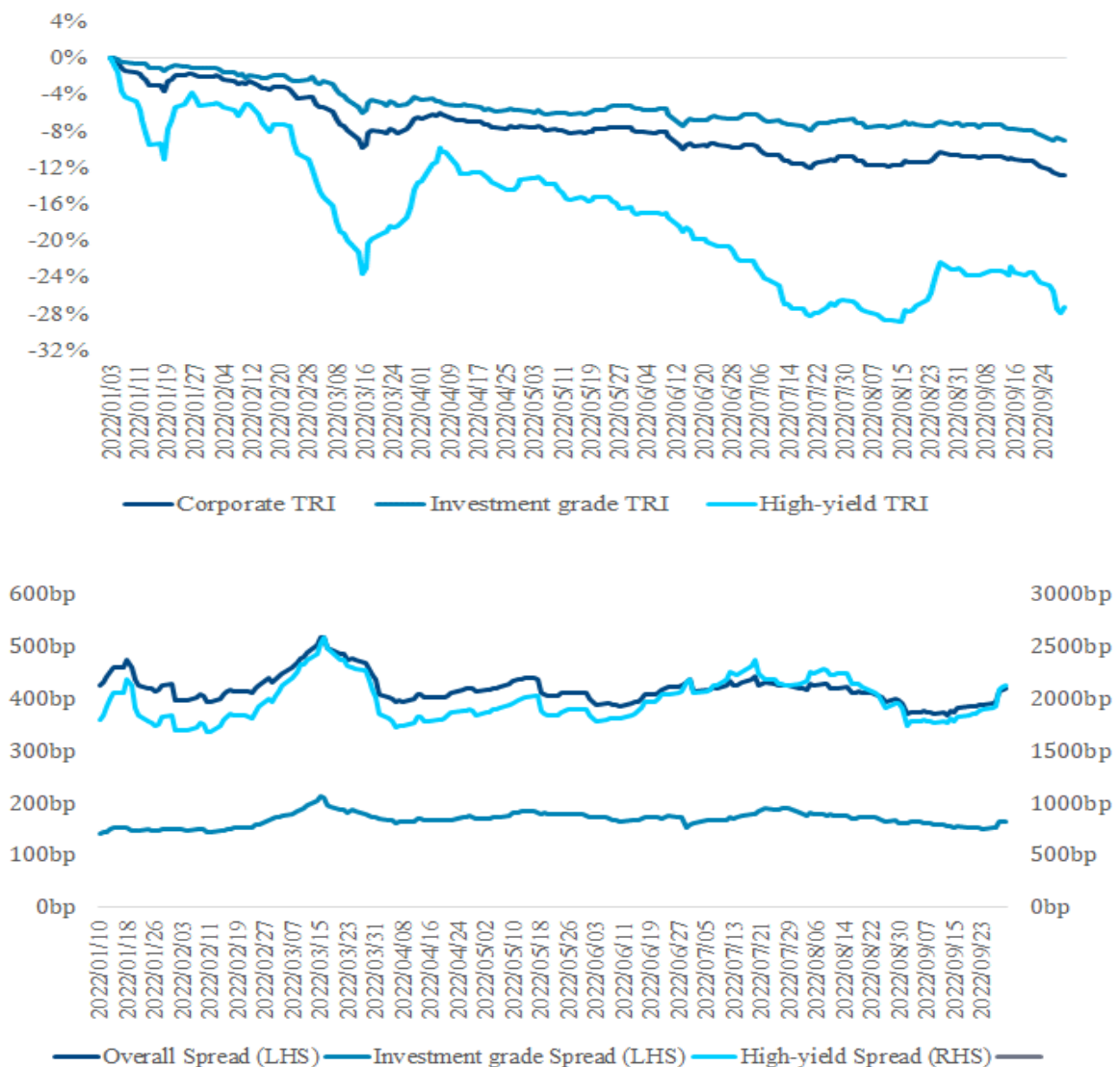
Source: Bloomberg, CCXAP Research

Secondary Market

Affected by policy support such as the national bailout fund and China Bond Insurance’s credit enhancement, the real estate sector was boosted in Q3. In the third quarter, the overall performance of the Chinese dollar bond market rebounded compared with the first half of the year, and the performance of high-yield bonds fluctuated greatly. In July, several real estate companies defaulted, putting pressure on the prices of the high-yield real estate sector. In late July, the real estate sector was boosted by the news that a RMB100 billion real estate bailout fund was to be established. In August, the High Yield Return Index hit a new low of -28.82%. In late August, China Bond Insurance Corporation provided full guarantees to real estate companies such as Longfor and Country Garden to issue new bonds, which greatly boosted market confidence and rapidly increased the rate of return. In September, as the benchmark interest rate on U.S. bonds was raised again, investment-grade U.S. dollar bonds began to weaken. As of September 30, 2022, the year-to-date (YTD) return of Chinese dollar bonds was -12.85%, of which the return rate of investment-grade bonds was -9%, and the return rate of high-yield bonds was -27.36%.

As of 30 September 2022, the yield spread of Chinese dollar bonds increased by 16.19bp from beginning of this year to 419.13bp. The yield spread of investment-grade bonds increased by 23.04bp to 164.44bp, while that of high-yield bonds increased by 533.59bp to 2121.43bp.

Exhibit 6: YTD return and Yield Spreads of Chinese USD bond index in 2022Q3



Source: Bloomberg, CCXAP Research

Real estate companies were significantly affected by industry policies and credit events, while Chengtou bonds recorded positive returns. In terms of sectors, as of 30 September 2022, real estate dollar bonds performed the worst, with a year-to-date return rate of -40.04%, followed by financial (-15.15%), non-financial (-9.54%) and Chengtou (-0.74%). Affected by credit events and market sentiment, the performance of the real estate sector continued to decline in 2022Q3, with a rate of return of -40.04%. In 2022Q3, favorable policies in the property market and China Bond Insurance credit enhancement had led to a slight rebound in the real estate high-yield index, but the overall trend was still downward. Affected by the poor market environment and the resurgence of the pandemic, the financial and non-financial sectors continued to decline, and the decline was relatively stable. In fact, Chengtou bonds significantly outperformed other sectors and recorded positive returns in 2022Q2.

Table 1: Returns of Chinese dollar bonds in 2022Q1, 2022Q2, and 2022Q3 (by industry)

Markit iBoxx USD Asia ex-Japan China Index Return	2022Q1	2022Q2	2022Q3	2022Q1-Q3
Real Estate TRI	-19.38%	-16.11%	-11.50%	-40.04%
- Investment Grade TRI	-8.28%	-9.05%	-5.14%	-21.19%
- High-Yield TRI	-27.23%	-23.16%	-17.00%	-53.25%
Financials TRI	-7.50%	-4.52%	-3.96%	-15.15%
- Investment Grade TRI	-3.71%	-2.07%	-2.68%	-8.28%
- High-Yield TRI	-15.18%	-11.09%	-7.51%	-30.12%
Non-Financials TRI	-4.84%	-1.87%	-3.27%	-9.54%
- Investment Grade TRI	-5.02%	-1.78%	-3.40%	-9.75%
- High-Yield TRI	-2.41%	-3.60%	-0.78%	-6.58%
Chengtou TRI	-0.67%	0.30%	-0.61%	-0.74%
- Investment Grade TRI	-1.37%	-0.05%	-0.98%	-2.17%
- High-Yield TRI	1.69%	1.70%	1.31%	5.09%

Source: Bloomberg, CCXAP Research

Rating Actions and Credit Events

Negative ratings action continued unabated, with real estate companies and AMCs being downgraded.

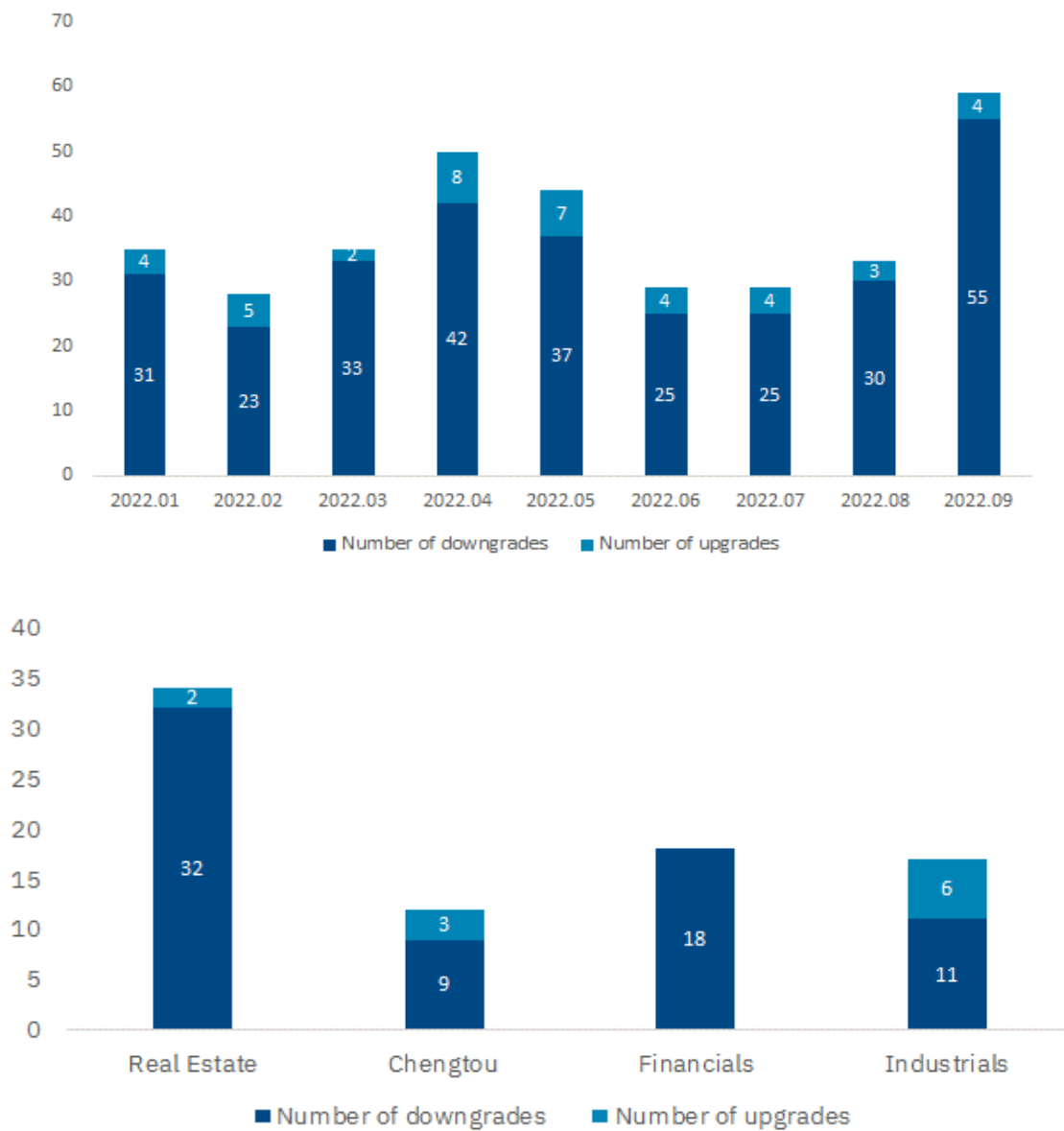
In 2022Q3, the three major international rating agencies took rating actions on 80 Chinese issuers⁵, including 110 negative rating actions and 11 positive rating actions⁶. Negative rating actions accounted for 91% of all rating actions. The credit quality of Chinese issuers has deteriorated amid the 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 business and financial strength. In 2022Q3, negative rating actions were taken against 32 real estate issuers, of which 2 issuers were upgraded for selective default due to completion of interest payments within the grace period and completion of asset disposal and debt relief. There were 18 companies in the financial sector that have been downgraded. Due to the economic slowdown, increased market volatility and the downturn in the real estate industry, the profit expectations of the four major AMCs (Cinda, Dongfang, China Great Wall, Huarong Asset Management) and their subsidiaries were weak. The leverage in these companies will continue to be constrained. Negative rating actions were also taken against Chengtou issuers. The three major international rating agencies took negative rating actions on 9 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 were located in regions with weak economic fundamentals such as Gansu and Yunnan. Furthermore, the performance of companies in other industries was divided, with 11 downgrades and 6 upgrades. The issuers whose ratings were upgraded were mainly distributed in raw materials (1) and utilities (2), driven by the reduced liquidity risk brought about by

⁵ 1 issuer has been both downgraded and upgraded

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

the changes in corporate debt structure, improved financial conditions, and improved operating performance and financial conditions of the enterprises and their parent companies.

Exhibit 7: Rating actions and issuer rating changes in 2022Q3



Source: Bloomberg, CCXAP Research

Continued credit risk exposure of real estate companies. According to Bloomberg, between January 2022 and September 2022, 30 Chinese issuers, mainly real estate companies, defaulted on their offshore bonds, with a total default amount of approximately USD25.2 billion. Compared with the USD5.72 billion in the first three quarters of 2021, represented a YoY increase of 341.3%. In 2022Q3, there were 10 new defaulted entities, including Logan Group, Powerlong Real Estate, and Xinyuan Group, etc. The reasons for their default share certain commonalities, and included 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 September 30, 2022, non-default real estate companies would have to pay approximately USD2.9 billion in principal and interest in 2022Q4. In 2022Q4, the default rate of new entities would slow down.

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

Enterprise	Defaulted events
China Aoyuan	<p>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.</p>
Yango Group	<p>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.</p> <p>On June 30, as the holders’ meeting failed to reach an exemption resolution, the principal and interest of medium-term notes mentioned above should become due immediately on the day following the voting deadline of the holders’ meeting (March 15 and April 8, 2022, respectively). However, due to the company's recent pressure to raise debt repayment funds, the company failed to raise sufficient repayment funds as agreed by the end of the accelerated maturity redemption day, principal and interest on the bonds cannot be repaid on schedule.</p>
Dafa Properties	<p>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.</p> <p>On April 1, Dafa Properties announced that the company had received an accelerated notice from the holder of the July 2022 senior notes (USD360 million 12.375% senior notes due in 2022) due to non-payment, so according to the July 2022 Senior Notes Deed, the principal, premium (if any), accrued and unpaid interest of the July 2022 Senior Notes are due and payable immediately.</p>
Guorui Properties	<p>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.</p>
Yuzhou Group	<p>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.</p> <p>On May 31, the company failed to pay the interest on the 6% senior notes due in 2023, the 8.375% senior notes due in 2024, and the 9.95% green senior notes due in 2023 when the grace period expired. The interest payment grace period for the three-tranche bonds has expired. In addition, Yuzhou Group has not paid USD8.06 million in preferred perpetual securities. Failure to make such payments constitutes an event of default under the above Notes and Securities.</p>
Shinsun Holdings	<p>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.</p> <p>On June 7, Shinesun Holdings announced that according to the terms of the 2022 Senior Notes, all outstanding principal amounts of the 2022 Senior Notes together with its accrued interest will be due and payable on June 7, 2022 on the due date. The Company made no principal and interest payments on June 7, 2022 on the remaining outstanding principal amount of D200,000,000 of the 2022 Senior Notes.</p>
Zhenro Properties	<p>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.</p> <p>On May 31, the company announced that it may not be able to pay interest of USD13.725 million before the expiration of the grace period for the November 2019 notes. The interest payment date for the November 2019 Notes is May 6, 2022 and the last day of the grace period is June 5, 2022. It is expected that non-payment of the November 2019 Notes will constitute an event of default under the November 2019 Notes upon expiration of the relevant grace period.</p> <p>On August 3, Zhenro Real Estate announced that the company had not paid the remaining outstanding principal amount of USD29.777 million and its interest. Failure to pay such principal upon maturity will constitute an event of default under the Notes, and failure to pay such interest upon expiry of a grace period of 30 days after maturity shall constitute an event of default under the Notes. Non-payment of the Notes has not triggered and will not trigger any cross-default of the terms of the securities listed in the table below.</p>

	<p>On August 30, Zhenro Real Estate stated that it is facing a tight liquidity situation, and it is expected that it may not be able to fulfill the repayment obligations of certain overseas debts due from August to October 2022; Monthly notes, March 2022 notes and March 2022 RMB notes.</p>
Fantasia Holding	<p>On April 17, Fantasia Holdings Group Co., Ltd. ("Fantasia") FTHDGR 11.75 04/17/22 (ISIN: XS1982124239) failed to pay the principal and interest in full before the due date, which constituted a breach of contract.</p>
E-House China	<p>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.</p>
Fujian Sunshine	<p>On April 21, Fujian Sunshine Group announced on the Shanghai Stock Exchange that the company had completed the issuance of three-year bonds overseas through Yango (Cayman) Investment Limited, an overseas wholly-owned subsidiary, and failed to pay the payables on schedule, totaling USD595 million.</p>
Hongkun Weiye	<p>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.</p> <p>On October 6, Hongkun Weiye issued an announcement stating that BJHKWY 14.75 10/08/22 (ISIN: XS2059534342) is involved. According to the terms of the bond, all outstanding principal of the bond, together with its accrued and unpaid interest, will be due and payable on October 8, 2022. The company does not expect to pay the amount due on the due date.</p>
Sunac China	<p>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.</p>
Wuhan Dangdai	<p>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.</p>
Jingrui Holdings	<p>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.</p> <p>On July 22, Jingrui Holdings announced that it is expected to be unable to pay the principal and interest payable of the 12.0% senior notes due in July 2022 when they mature.</p> <p>On August 31, Jingrui Holdings announced that Jingrui Holdings will suspend the payment of 5 notes, including 12.0% senior notes due in 2022, 14.5% senior notes due in 2023, 12.5% senior notes due in 2023, 12.0% Senior Notes due 2024 and 12.75% Senior Notes due 2023.</p>
Skyfame Realty	<p>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.</p> <p>On July 12, Skyfame Realty announced that a winding-up petition filed for the purpose of debt restructuring and an application for the appointment of a "low-intervention" joint provisional liquidator, as well as the date of court hearing of application for appointment of joint provisional liquidators. The announcement shows that the petition has been scheduled by the Commercial Division of the Supreme Court of Bermuda and will be heard on August 12, 2022 (Friday) at 9:30 am (Bermuda time).</p> <p>On October 12, Skyfame Realty issued an announcement stating that on October 11, 2022, the company received a petition for winding up the company from Seazen resources investment Co., Ltd. to the High Court of the Hong Kong Special Administrative Region. Senior notes held involving principal amount of USD22 million and accrued interest.</p>
Sunshine 100	<p>On June 29, Sunshine 100 China Holdings Co., Ltd. China announced that the company was unable to repay the 2022 bonds in relation to the 13.0% senior green notes due in 2022 with an amount of USD219.6 million issued by the company and listed on the Hong Kong Stock Exchange.</p>
Yida China	<p>On June 30, Yida China announced that the company expected to be unable to pay the consent solicitation of senior notes due in 2025 on the payment date. According to the terms of the consent solicitation, the second installment of the consent fee was USD3.45 million.</p> <p>On October 3, Yida China announced that it was unable to pay the USD3.45 million limited notes proportionally on September 30. Non-payment may lead to holders requesting accelerated repayment of senior notes.</p>
Sichuan Languang	<p>On July 1, Sichuan Languang Development Co., Ltd. announced that the company and its subsidiaries had newly increased the amount of debt principal and interest that could not be repaid at 4.964 billion yuan. As of June 30, the company's accumulative amount of debt principal and interest that failed to repay at maturity totaled 38.775 billion yuan.</p>
Shimao Group	<p>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.</p>

Sansheng Holdings	On July 5, Sansheng Holdings (Group) Co., Ltd. failed to complete the exchange offer for the 13% senior notes due on July 5, 2022, and the existing notes were not repaid on the due date, constituting a substantial breach of contract.
Sunkwan Property	On July 8, Sunkwan Property Group Co., Ltd. ("Sunkwan Property") announced an exchange offer for the outstanding 12.25% senior notes due in July 2022. The outstanding principal of the notes is 210 million US dollars. On July 19, Sunkwan Property announced that it had completed the exchange offer and issued new notes, but the company expected that it might not be able to repay the principal and/or interest of the remaining principal of USD200,000. On October 5, Sunkwan Property issued an announcement stating that it submitted a consent request to SUNKWP 12.25 07/17/23 to extend the redemption date of mandatory redemption. On November 1, Sunkwan Property announced that it has not yet obtained the necessary consent of holders of more than 75% of the total principal amount of the outstanding notes. Sunkwan Property failed to waive or extend the mandatory redemption obligation stipulated in the contract, resulting in an event of default under the terms of the note. The non-payment incident led to a cross-default of Sunkwan Property's 13.5% senior notes due in 2023.
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. On October 25, Ronshine China announced that the USD688 million 8.75% senior notes due 2022 issued by the company and listed on the Singapore Exchange had expired on the 25th, and the principal and interest payable totaled USD718.1 million had expired. So far, the company has not paid the relevant amount.
Xinyuan Real Estate	On July 20, Xinyuan Real Estate Co., Ltd. ("Xinyuan Real Estate") issued an announcement stating that on July 19, the company failed to fully repay XIN 12 06/29/22 when it was due on June 29, 2022. The total amount due and payable under the notes is RMB 545.3 million. On October 11, Xinyuan Real Estate announced that it failed to pay off the interest and principal of the two notes on time, totaling approximately USD267 million.
Junfa Real Estate	On July 22, Hong Kong Junfa Real Estate Co., Ltd. announced that the interest payment of USD13.03 million under HKJFPC 11 12/24/22 (ISIN: XS2256858197) was due and payable on June 24, 2022. Under the terms of the notes, the issuer has a 30-day forgiveness period for interest payments and the deadline for the note forgiveness period is July 24, 2022. The issuer anticipates that it may not pay the interest before the expiry of the forgiveness period, which will constitute an event of default under the notes.
Powerlong Real Estate	On July 26, Powerlong Real Estate Holdings Co., Ltd. announced that according to the terms of the fourth batch of 2022 notes, all outstanding principal and accrued interests of the fourth batch of 2022 notes will be due on the due date in July 2022. Due and payable on the 25th. As of the date of this announcement, the company has not yet repaid the remaining principal and accrued interest of USD21.29 million of the outstanding principal amount of the fourth tranche of 2022 notes that have not been exchanged.
Zhongliang Holdings	On July 29, Zhongliang Holdings Group Co., Ltd. ("Zhongliang Holdings") announced that a 9.5% senior note due in July 2022 would constitute an event of default. As of now, Zhongliang Holdings has not paid the remaining outstanding principal of USD12.574 million and its interest
Logan Group	On August 7, Logan Group announced that in order to promote the overall debt management plan and treat all creditors fairly, the company will suspend the payment of five overseas US dollar senior notes
Redsun Properties	On August 10, an overseas bond market information platform reported that Redsun Properties Group Co., Ltd. ("Redsun Properties") will not repay the interest on two US dollar debts that should have been paid in mid-July within the grace period. It is currently seeking to appoint Haitong International as a financial advisor to assist in handling offshore creditor's rights matters. On August 26, Redsun Properties announced that according to the terms of the note, all outstanding principal amounts of HONGSL 9.875 08/27/22 and its accrued and unpaid interest are due and payable on August 27, 2022. The company does not expect to pay the amount due on the due date. Failure to pay interest on the note within the 30-day grace period after the maturity date will constitute an event of default on the note. On September 30, Redsun Properties issued an announcement stating that all outstanding principal amounts and accrued and unpaid interest (collectively referred to as the "Amount Payable") for the October 2022 Notes (ie REDSUN 10.5 10/03/22) will be released in 2022 Due and payable on October 3rd. The company does not expect to pay the amount due on the due date, triggering a cross-default.
Jiayuan International	On August 24, Jiayuan International Group Ltd. ("Jiayuan International") issued an announcement stating that the company intends to conduct an exchange offer and consent solicitation for all existing US dollar-denominated senior notes. At the same time, the company has suspended the payment of interest due on 3 convertible bonds. On August 26, Jiayuan International Conference stated that after the completion of the exchange offer, the remaining unexchanged senior notes will not be repaid. On September 23, Jiayuan International Holdings issued an announcement stating that the content was related to the exchange offer and consent solicitation of 6 surviving senior notes, and the expiration period was extended for the second time. In October and June, Jiayuan International issued an announcement stating that the expiry period was extended

	for the third time regarding the exchange offer and consent solicitation for 6 surviving senior notes.
China Fortune	On September 30, China Fortune Land Development failed to repay debts on schedule totaling 59.201 billion yuan (excluding interest, the company's financial debts will be executed on the due date agreed in the restructuring agreement after signing the "Debt Restructuring Agreement", and the corresponding debt amount is subject to adjustment. During the same period, the amount of financial debts that have been signed to realize debt restructuring in the "China Fortune Land Development Debt Restructuring Plan" is 125.084 billion yuan, and the corresponding debt interest reduction and penalty exemption totaled 11.169 billion yuan.
Enterprise	Credit Events
Kaisa Group	On February 1, Kaisa Group Holdings Co., Ltd. ("Kaisa") failed to complete the KAISAG 9.375 06/30/24 interest payment within the grace period. On October 10, Kaisa stated that it will continue to communicate with overseas creditors to alleviate liquidity problems and formulate potential restructuring plans.
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. On September 1, Yincheng International announced that the company issued an exchange offer for 12.5% senior notes due in 2022, with an outstanding principal amount of USD110 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. On September 30, market news reported that Lego Group plans to pay REDPRO 9.9 02/17/24 overdue coupons before November 15. Earlier market news reported that the company failed to pay the coupons on the US dollar bonds due in August. The 30-day grace period has now passed, but it is impossible to verify the payment of the coupons.
Zhongnan Construction	On May 24, Jiangsu Zhongnan Construction Group Co., Ltd. ("Zhongnan Construction") issued an announcement stating that it had proposed an exchange offer for 2 of its dollar bonds, and one had agreed to solicit and revise the contract. The total outstanding principal amount of the three notes was 470 million US dollars. On June 5, Zhongnan Construction announced that under the premise of meeting other terms and conditions of the exchange offer, the company will accept the exchange of the old notes in full and issue new notes with a total principal amount of USD157 million. On June 8, Zhongnan Construction announced that it will initiate a second exchange for the remaining notes as soon as possible. It is expected that the principal and interest will not be repaid in time when the remaining notes expire, which will constitute a breach of contract under the remaining notes.
Greenland Holdings	On May 27, Greenland Holdings Group Co., Ltd. ("Greenland Holdings") issued an announcement saying that it was seeking agreement on contract amendments and exemptions for its 488 million dollar bond due on June 25. On November 1, Greenland Holdings announced that it plans to solicit consent for the extension of its 9 US dollar bonds. Among them, the 6.65% US dollar bond due in June 2023 will be extended for one year, and the rest of the bonds will be extended for two years. Coupon remains unchanged during the extended period.
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. On June 24, Leading Holdings announced that after the completion of the exchange offer, a total of USD3.3 million of existing notes were outstanding, and the company expected to be unable to repay the remaining existing notes in accordance with their terms in due course.
R&F Properties	On June 17, Guangzhou R&F Properties Co., Ltd. ("R&F Properties") issued an announcement stating that the group is initiating a consent solicitation from holders of its 10 USD notes in order to seek exemption from existing and potential corresponding defaults under the notes. On July 14, R&F Real Estate announced that the issuer had paid the relevant holders a total of USD19,294,425 in full on July 12, 2022 for the consent solicitation initiated for the waiver of default and extension of its 10 US dollar bonds, and non-qualified holder fees totaling D120,110. The relevant proposed amendments and written waiver became effective on July 12, 2022, and the above notes were replaced with new installment notes after the installment note settlement date (July 11, 2022).
Huijing Holdings	On July 7, Huijing Holdings Co., Ltd. ("Huijing Holdings") announced that in order to extend the maturity period of the company's debts and improve the debt structure, it made exchange offer relating to "HUIJHK 12.5 07/21/22" to qualified holders. On July 22, Huijing Holdings announced that the exchange offer for the outstanding 12.50% senior notes due in 2022 was completed on July 21, 2022. Issuance and delivery of new notes in the principal amount of D107.6 million by the company pursuant to the exchange offer
China South City	On July 21, China South City Holdings Co., Ltd. ("China South City") issued an announcement saying that it initiated a consent solicitation for its five notes with a total principal of USD1.56 billion, with a view to extending the maturity date of the notes. On July 27, China South City Holdings announced that as of 6:00 p.m. Hong Kong time on July 27, 2022, the company has obtained consent from the existing 11.50% notes, 10.875% notes, 7.25% notes, 11.95% notes and 10.75% notes noteholder to ensure a successful consent solicitation transaction.

Times China	On August 9, Times China paid the interest on two US dollar debts before the end of the grace period. The company previously failed to pay the current coupons of TPHL 5.75 01/14/27 (ISIN: XS2282068142) and TPHL 6.75 07/16/23 (ISIN: XS2027426027) on July 14th/July 16th, and then in wide These two payments were made up on August 4 and August 5 before the deadline expired.
KWG Group	On September 2, KWG Group Holdings Co., Ltd. ("KWG") issued an announcement that it would exchange offers and agree to solicit transactions for the company's overseas US dollar bonds. According to the announcement, the transaction will be an exchange offer for the company's three US dollar bonds due within one year: including two notes due in September 2022 and notes due in September 2023, for the rest of the company's 2024 to 2027 6 US dollar bonds due in 2009 will be concurrently solicited for consent to waive cross-default with the exchange bonds. On September 13, KWG announced that the exchange offer and consent request for KWGPRO 6 09/15/22, KWGPRO 5.2 09/21/22 and KWGPRO 7.875 09/01/23 will be expired on the afternoon of September 9, 2022 4pm (London time). USD836 million and USD636 million were validly submitted for exchange pursuant to the Exchange Offer and Consent Solicitation respectively and were accepted.
Rongsheng Development	On October 11, Rongsheng Development announced that it involves two outstanding US dollar bills, RISSUN 9.5 03/16/23 and RISSUN 9.5 09/17/24, with outstanding balances of USD199,341,233 and USD531,289,517 respectively. The company and the issuer intend to seek a waiver of the terms of the Notes, and a Consent Solicitation is being issued to the holders.
Landsea Green Management	On October 19, the management of Landsea Green Management Ltd. ("Landsea Green") announced that the exchange offer for 10.75% senior notes due in 2022 had expired on October 18. As of the exchange maturity period, the existing notes in the aggregate principal amount of D132 million have been validly submitted for exchange pursuant to the exchange offer. Landsea Green has decided to accept existing notes in the aggregate principal amount of USD132 million in exchange. Subject to the satisfaction or waiver of the conditions precedent to the exchange offer, Landsea Green expects to issue new notes in the aggregate principal amount of USD119 million pursuant to the exchange offer for the existing notes validly submitted for exchange and accepted.
Helenbergh China	On October 19, Helenbergh China Holdings Co., Ltd. ("Helenbergh China") issued an announcement that the company failed to repay the senior notes due on March 24, 2023 with an interest rate of 11.0% due on September 24, 2022. The interest due on October 8, 2022 and the interest under these notes due on October 8, 2022. The Company is seeking consent from the noteholders for the proposed waiver of the Covenant and the proposed amendments pursuant to the terms and conditions set out in a consent solicitation dated October 19, 2022.
Ganglong Property	On October 26, Ganglong China Property Group Limited ("Ganglong Property") disclosed an exchange offer for 13.5% of the outstanding senior notes due 2022. As of the announcement date, the outstanding principal amount of the existing notes was D158 million.
CIFI Holdings	On November 1, CIFI Holdings released insider information saying that it had suspended the payment of USD414 million in principal and interest payable to overseas debts, and started discussions with overseas creditors.

Source: Public information, CCXAP Research

Regulation: China NDRC drafted measures to further improve the management of medium- and long-term offshore bonds

On August 26, NDRC publicly solicited opinions on the "Administrative Measures for the Review and Registration of Medium- and Long-term Offshore Debts (Draft for Comments)" ("Draft for Comments"). The Draft for Comments intends to further improve the management of medium- and long-term offshore debts, improve the efficiency of offshore debt funds, support the development of the real economy, improve interim and ex-post supervision, and effectively prevent offshore debt risks. The full text is divided into six chapters, including general principles, scale and usage of offshore debts, examination and registration of offshore debts, risk management and interim and ex-post supervision of offshore debts, legal responsibilities, and supplementary provisions.

The Draft for Comments clearly includes domestic enterprises and their controlled overseas enterprises or branches in the scope of management. It also proposes that the use of foreign offshore funds should focus on the issuers' main businesses, cooperate with the implementation of major national strategies, support the development of the real economy, and offshore debt will not increase the local governments' implicit debts.

Outlook

In November, the United States announced that the latest October consumer price index (CPI) was 7.7%, which was lower than the market expectation of 7.9%. Compared with the previous value of 8.2%, there was a certain decline, and it was also the lowest level since January this year. However, this was still far from the Fed's 2% inflation target. U.S. inflation remained high in 2022Q3. Although the CPI in October decreased by 0.5% compared with September, the current U.S. inflation is still at a relatively high level. The Federal Reserve raised interest rates by 75 basis points at the FOMC meeting in November. The current federal benchmark interest rate is 3.75%-4%. The market expects that the FOMC meeting in December will continue to raise interest rates, but the rate hike in December may slow down to 50 basis points. The 10-year treasury bond spread between China and the United States has been inverted, falling sharply from 114 basis points at the beginning of the year to -106.9 basis points at the end of September, which has led to a sharp weakening of the cost advantage of US dollar bonds and may reduce the enthusiasm of Chinese companies to issue overseas bonds. The fourth quarter will still be the peak debt repayment period for Chinese dollar bonds, especially for the financials and Chengtougou sectors. The refinancing needs of Chengtougou companies will partially support the new issuance of Chinese dollar bonds. It is noteworthy that 2023 will be the peak period of debt repayment for the real estate sector. Although there were good news for the real estate policy, under the impact of the ensuing credit incidents, the dollar bond market lacks confidence in the marginal relaxation of real estate policies to improve the real estate companies. In 2022Q4, the overseas financing environment of real estate enterprises is not expected to improve significantly, and net financing will maintain a large outflow. In the secondary market, there were frequent risk events in the real estate market in the first three quarters of 2022. The number of defaulted entities continued to increase, and many issuers rolled over their dollar bonds. Market confidence remained fragile, and the return on high-yield bonds may further decline in 2022Q4. Investment-grade bonds are mainly issued by financial and Chengtougou companies, and their fundamentals are relatively good. We expect that the high-yield bonds will perform well in the secondary market.

The debt resolution work of real estate enterprises is still in progress, and 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 challenges in the future, and new defaulted entities may occur. Although the Chinese Central Government has made "ensuring the timely delivery of presold homes" be one of the priorities in the third quarter and thereafter, many state-owned enterprises need to undertake unfinished projects of risky real estate development companies, and the work of "ensuring the timely delivery of presold homes" is still under financial pressure. The financing channels of real estate companies did not have significant improvement in the third quarter. On November 8, National Association of Financial Market Institutional Investors announced that the People's Bank of China would provide funds of RMB250 billion to support private companies, including real estate companies, to issue bonds and raise funds. It is helpful for real estate companies' subsequent financing, but we still need to pay attention to the relevant policies. At the same time, it is necessary to be aware that the risks of the overseas bond market may infiltrate to the domestic market. Considering that Chengtougou's overseas financing policy continued to tighten in the fourth quarter and the inverted spread between China-US interest rate weakened the cost advantage of Chengtougou dollar bonds in the fourth quarter, it is expected that less Chengtougou dollar bonds will be issued. In addition, given NDRC's window guidance in September, the lack of ratings for Chengtougou companies will be resolved. As Chengtougou issuers with weak quality need to be issued by SBLC, the risk of external guarantee by the domestic SBLC bank has increased significantly.

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