

# Chinese Dollar Bond Market Report



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**The end of the Fed's rate hike cycle is approaching, and the Chinese dollar bond market may usher in a new dawn in 2023.**

## 2022FY Chinese Dollar Bond Market Recap

- **The new issuance of Chinese dollar bonds has dropped sharply, with negative net financing amount for the first time in a decade.** In 2022, 877 new bonds were issued, increasing by 26.6% YoY, with a total issued volume of approximately USD86.5 billion, decreasing by 54.0% YoY. The net financing amount of Chinese dollar bonds was USD-103.3 billion.
- **The issuance of Chinese real estate dollar bonds has almost stagnated, and the issuance of industrial enterprises and financial institutions has dropped sharply, while the issuance of Chengtou dollar bonds has increased.** With the increasing number of bond defaults of real estate companies, the scale of offshore financing of Chinese real estate companies has dropped dramatically. In 2022, new issuance of real estate dollar bonds was USD2.2 billion, representing a YoY decrease of 95.2%. At the same time, with the rise in US dollar interest rate, the issued amount of financial institutions decreased by 36.9% YoY to US\$35.5 billion, while the issued amount of industrial enterprises decreased by 75.9% to US\$13.6 billion. Only Chengtou recorded positive growth, with an issued amount of USD35.2 billion, representing a YoY increase of 14.5%.
- **The proportion of investment-grade bonds increased, while Chengtou bonds constituted the majority of nonrated issuances.** In 2022, there were 96 investment-grade issuers, with issued amount of USD53.9 billion, a YoY decrease of 53.7%. Investment grade accounted for 62.3% of new issuance, up from 56.2% in 2021. In addition, some Chengtou issuers issued bonds through SBLC, and the nonrated Chengtou issuance accounted for 80% of total Chengtou issuance. In the future, we should pay more attention to the lack of ratings for the Chengtou issuers.
- **The impact of the Fed's interest rate hike continued, and the coupon rate of Chinese dollar bonds continued to rise.** The Fed raised interest rates 7 times during the year, for a total of 425 basis points, causing the average coupon rate of newly issued Chinese dollar bonds to soar from 3.12% in 2021 to 4.39% in 2022. The tenors of most Chinese dollar bonds were between 1-5 years, with a total issuance of USD79.2 billion, accounting for 91.6% of the new issuance.
- **The high-yield return index continued to fluctuate violently under the influence of real estate policies, showing a general downward trend; while it has rebounded in the fourth quarter.** As of December 31, 2022, the YTD return on Chinese dollar bonds was -9.84%, of which the return on investment-grade bonds was -7.70%, and the return on high-yield bonds was -13.97%. The performance of the real estate sector has been weak, with a year-to-date return of -28.71% in 2022.

## Rating Actions and Credit Events

- **The number of negative rating actions has increased, particularly for real estate companies.** In 2022, the three major international rating agencies took rating actions on 168 Chinese issuers, including 344 negative rating actions and 56 positive rating actions. Rating actions were mainly concentrated in the real estate sector, with negative rating actions taken against 58 real estate issuers, mainly due to the weakening of the issuer's own business and financial strength, increased liquidity pressure or debt default.

- **The credit risk exposure of real estate companies continued.** According to Bloomberg data, 43 Chinese issuers defaulted on their overseas bonds in 2022, including 39 real estate companies, with a total default amount of USD38.54 billion, a sharp increase from USD13.59 billion in 2021.

## Outlook

- In 2023, as the US inflation level begins to fall and the momentum of the US economy weakens, it is expected that the Federal Reserve will begin to slow down the pace of interest rate hikes, and may stop raising interest rates in the second half of the year, which will gradually drive the overseas financing market to pick up. In addition, 2023 will still be the repayment period for Chinese dollar bonds, especially in the financial, Chengtou and real estate sectors. The huge demand for refinancing will support primary market issuance. At the same time, since the second half of 2022, real estate support policies have been intensively introduced, and "three arrows" have been fired by Beijing's top regulators to promote the restoration of the financing environment for real estate companies. It is expected that the overseas financing environment for enterprises will usher in a slight improvement in the future. However, we expect Chengtou's overseas financing will continue to be strictly controlled, and the cost advantage of Chengtou dollar bonds will further weaken due to the sharp inversion of the interest rate gap between China and the United States. As a result, the new issuance of Chengtou dollar bonds may slow down.
- For the secondary market, as the pace of interest rate hikes slows down, capital is expected to flow back to emerging markets, which will help restore market confidence. As the government successively introduces various policy adjustments to stabilize the real estate market, and the lifting of pandemic prevention restrictions has a positive impact on economic growth, it is expected that high-yield bonds will usher in a phased recovery, and high-yield bonds may show an upward trend in the short term. Yet, in the face of unrepaired market fundamentals, high-yield bonds still have volatility risks, and we need to pay attention to the impact of potential risk exposures in weak regions and poor-quality Chengtou in 2023.

## Introduction

In 2022, the Chinese dollar bond market continued to be turbulent and U.S. inflation continued to be high. The Federal Reserve raised interest rates 7 times during the year, raising interest rates by a total of 425 basis points. The US federal funds rate was raised to a range of 4.25%-4.5%. The yield of U.S. Treasury bonds rose, resulting in the interest rate spread between China and the United States to invert. In 2022, the issuance costs of Chinese dollar bonds increased significantly, reducing the willingness of Chinese issuers to issue overseas bonds. This, together with the increasing number of defaults by real estate companies, has weakened the market's confidence in Chinese dollar bonds, and negative net financing amount was recorded for the first time in ten years. In 2022, Chinese issuers issued a total of 877 new bonds, with an issuance of approximately USD86.5 billion, which represented a significant decrease of 54.0% YoY, and the net financing amount was USD-103.3 billion. Although the central government has successively introduced various policy adjustments to stabilize the real estate market in the second half of the year, the direct financing channels of real estate companies have not improved significantly. Therefore, it is necessary to pay close attention to the spread of risk events in private real estate companies and the changes in real estate financing policies. The National Development and Reform Commission has tightened the regulatory policies on Chengtou dollar bonds, and has put forward higher requirements in terms of subject qualification and certification review for poor-quality Chengtou issuances in April and September respectively. In the secondary market, due to the impact of the real estate sector, the overall return of Chinese dollar bonds fell, among which the high-yield bonds have experienced a significant decline, while the investment-grade bonds have remained relatively stable. Affected

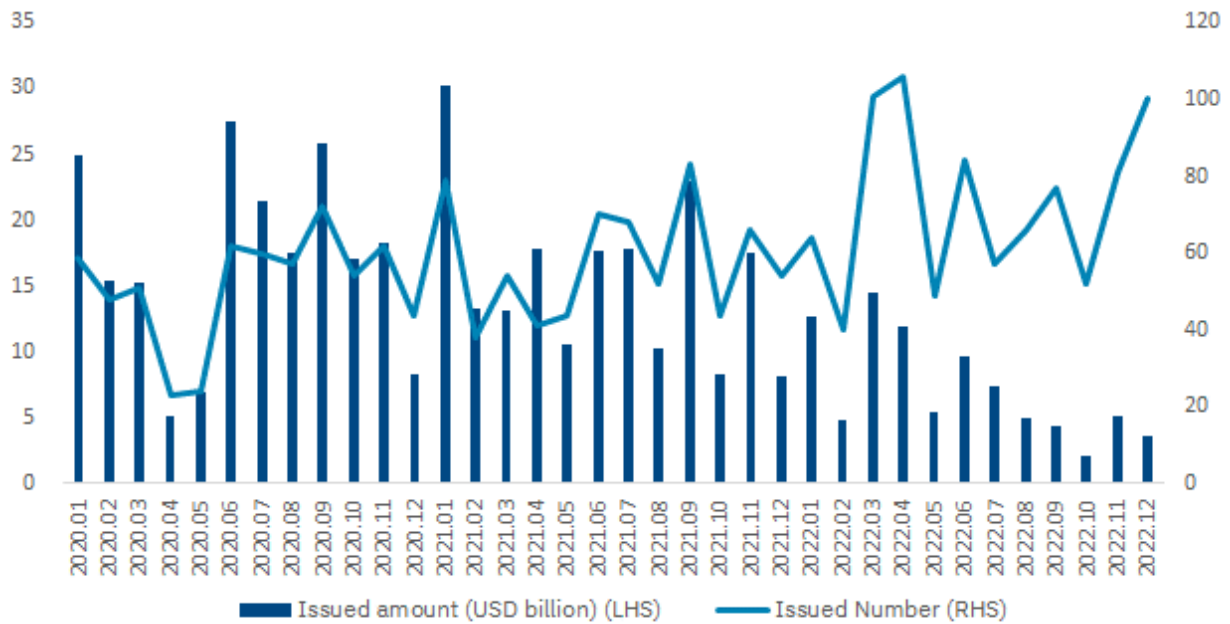
by the "three arrows" policy and relaxation of the pandemic policy in mainland China, the overall return was boosted in the fourth quarter.

## Chinese Dollar Bond Market Recap

### Primary Market

**The new issuance of Chinese dollar bonds has dropped sharply, with negative net financing amount for the first time in a decade.** In 2022, the newly issued Chinese dollar bonds were mainly small issuances. Chinese issuers issued a total of 877 dollar bonds throughout the year, an increase of 26.6% YoY; the issuance was approximately USD86.5 billion, a significant decrease of 54.0% YoY, and 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 companies have been exposed, and overseas financing of Chinese real estate companies has been hindered. The downward trend continued throughout 2022, and the scale of new issuance in the real estate sector has been greatly reduced. Due to the large maturity scale of real estate dollar bonds, the financing market for real estate companies is highly restricted, resulting in a sharp decline in overall net financing. In 2022, the net financing amount of Chinese dollar bonds was negative for the first time in ten years, with a net financing amount of USD-103.3 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 was about USD12.6 billion in January and USD4.9 billion in February, a YoY decrease of 58.3% and 63.0%, respectively. New issuances picked up in March, with an issuance 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, which led to a decline in the willingness of Chinese enterprises to issue dollar bonds, and the new issuance fell by 15.6% month-on-month. Among them, new issuances in April and May declined for two consecutive months, with issuances of USD11.9 billion and USD5.4 billion, respectively. Despite the month-on-month improvement in June, the issuance fell by 45.5% YoY to USD9.6 billion. The Federal Reserve raised interest rates by 75 basis points in both July and September, and the issuance cost 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. In the fourth quarter, the central government successively launched various policy adjustments to regulate and stabilize the real estate market, but investor sentiment towards the real estate market remained sluggish. In October, new issuances continued to decline, and the Federal Reserve raised interest rates by 75 basis points and 50 basis points in November and December, respectively, resulting in a significant increase in the cost of cross-border issuances. New issuances picked up slightly in November and December, but the issuance amounts fell YoY.

**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 the issuances of Chengtou and financial institutions dropped sharply. Chengtou’s willingness to issue dollar bonds has increased.**

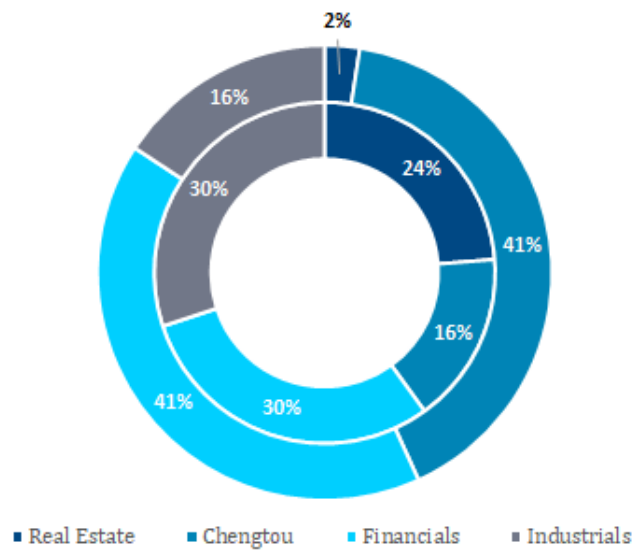
In terms of industries, real estate<sup>1</sup>, Chengtou, financial institutions, and industrial enterprises accounted for approximately 2.5%, 40.7%, 41.0% and 15.7% in 2022, respectively. Default events of Chinese real estate companies continued to occur. In 2022, there were a total of 31 newly defaulted real estate companies, including Logan Group, Jiayuan International and Dexin China. Overseas financing of Chinese real estate companies has fallen sharply. In 2022, USD2.2 billion of real estate dollar bonds were newly issued, a YoY decrease of 95.2%. Even though the government has introduced various policy adjustments to stabilize the real estate market in the fourth quarter of 2022, the financing channels of real estate companies have not improved significantly. In addition, issuance in the financial sector fell 36.9% YoY to USD35.5 billion, while issuance in the industrial sector fell 75.9% YoY to USD13.6 billion.

In 2022, Chengtou dollar bonds continued to be popular, and Chengtou new issuances were active. Issuances in Chengtou sector increased 14.5% YoY to USD35.2 billion. The large issuance of Chengtou dollar bonds in 2022 is mainly due to the tighter domestic financing conditions in the first half of the year and the looser overseas financing environment, and the domestic and foreign markets have a certain substitution effect. However, on August 26, 2022, the National Development and Reform Commission (“NDRC”) issued the “Administrative Measures for the Review and Registration of Medium- and Long-term Foreign Debts of Enterprises (Draft for Comment)”, which has made the regulations on the registration system, conditions, use of funds, risk management and legal responsibilities more clear and strict, putting forward new requirements for certification review and international rating. Affected by the tightening of approval from NDRC, the number and scale of Chengtou bonds issued have dropped significantly since the second half of the year. Chengtou’s overseas bond issuance policy, especially for entities with weak qualifications, has shown signs of tightening. In spite of that, Chengtou issuers with better credit qualifications can still obtain opportunities to issue overseas bonds to broaden the company’s financing channels. In the first three quarters of 2022, the cumulative issuance of Chengtou dollar bonds was 31.1 billion, increased 66.8% YoY. However, the

<sup>1</sup> Did not include bond issuances after exchange offer.

implementation of the window guidance in September and the Fed’s two interest rate hikes in the fourth quarter widened the inverse interest rate gap between China and the United States, weakening the cost advantage of Chengtou’s dollar bonds, and the new issuance of Chengtou’s dollar bonds slowed down in the fourth quarter. The total issuance of Chengtou dollar bonds in the fourth quarter was USD4.2 billion, a decrease of 56.3% from the third quarter. At the administrative level, the main contributors were prefecture-level and district-level bonds, accounting for 43.4% and 50.3%, respectively. Due to the high cost of dollar bonds and stricter bond issuance regulatory policies, it is expected that the new issuance of Chengtou dollar bonds will continue to slow down in the first quarter of 2023.

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



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

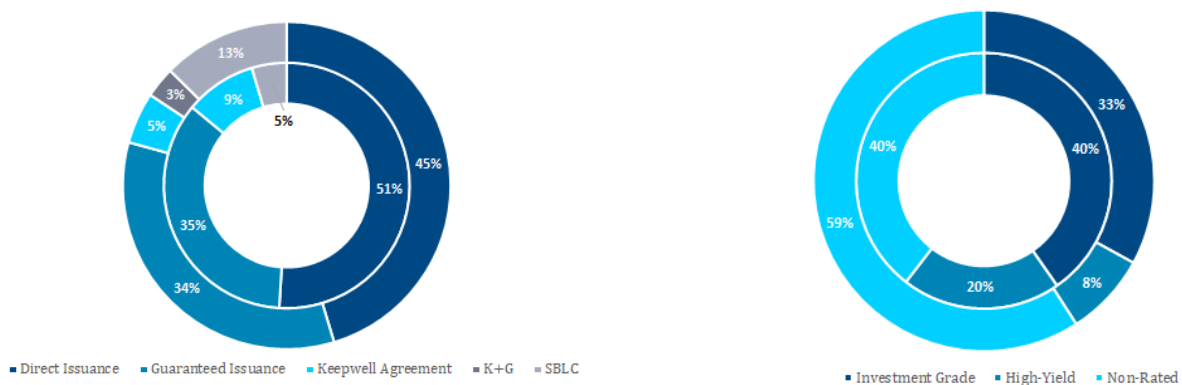
**High-yield bond issuance decreased, while Chengtou bonds constituted the majority of nonrated issuances.** In 2022, there were a total of 291 Chinese dollar bond issuers, of which 119 had been rated by the three international rating agencies<sup>2</sup>. During the same period, there were 96 investment-grade issuers, with a total issued volume of USD53.9 billion, a YoY decrease of 53.7%, and accounting for 62.3% of new issuance, up from 56.2% in 2021. Most of the issuers of high-yield bonds 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 number of high-yield issuers. In 2022, there were 23 high-yield issuers, with issued amount of USD5.1 billion, a YoY decrease of 87.3%, and accounting for 5.8% of the new issuance. Besides, some Chengtou issuers issued bonds through SBLC, making Chengtou bonds the subject of nonrated issuances. There were 172 unrated issuers, including 136 issuers from the Chengtou sector, accounting for 70.1% of the total number of Chengtou issuers. In the future, we should pay attention to the lack of ratings for Chengtou issuers.

**Under the fluctuating market risk appetite, issuances through SBLC has increased significantly.** From the perspective of issuance structure, in 2022, Chinese dollar bonds were mainly issued through direct and guaranteed issuance, with issuance amounts of USD39.0 billion and USD29.6 billion, respectively, accounting

<sup>2</sup> 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.

for approximately 45.4% and 34.2% of the new issuance volume. The issuance amounts decreased by 59.0% and 55.1% 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 therefore increased. In 2022, 128 bonds were issued through SBLCs, with a total issued volume of approximately USD10.6 billion, representing 23.1% YoY growth, of which Chengtou issuers at the county-level were the main contributors. Zheshang Bank and Shanghai Bank were the main participators, providing SBLCs for 17 and 13 newly issued dollar bonds, respectively. 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 become unable to repay the debt. Moreover, a total of USD4.3 billion of Chinese dollar bonds were issued through Keepwell agreements, a decrease of 52.4% YoY. The issuers were Guangzhou Industrial Investment Fund Management Co., Ltd. and several Chengtou issuers.

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



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

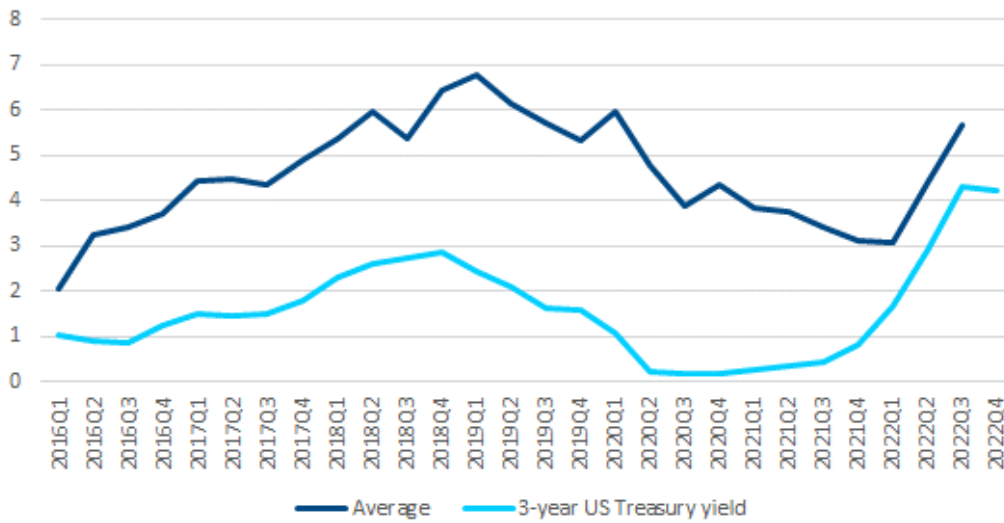
**The impact of the Fed’s interest rate hike continued, and the coupon rates of Chinese dollar bonds continued to rise.** In 2022, as the Fed raised interest rates 7 times during the year, a total of 425 basis points were raised. The U.S. federal funds rate was raised to a range of 4.25%-4.5%, the US Treasury yields generally rose. As a result, the average coupon rate of newly issued Chinese dollar bonds soared from 3.08% in 2022Q1 to 5.56% in 2022Q4<sup>3</sup>. Throughout the year, the average coupon rate of newly issued Chinese dollar bonds soared from 3.51% in 2021 to 4.39% in 2022. In terms of industries, the average coupon rate of financial institution bonds soared from 1.63% in 2021 to 4.02% in 2022. Meanwhile, since Chengtou bonds were dominated by county-level issuers with weak quality, SBLC is generally adopted by Chengtou companies and linked to the credit of the backup banks. The average coupon rate of Chengtou bonds increased from 3.17% in 2021 to 4.59% in 2022.

**Short-term Chinese dollar bonds have become a new trend, with shorter average maturities.** In 2022, the tenor of most Chinese dollar bonds was between 1 to 5 years, with a total amount of USD68.6 billion, accounting for 79.3% of the total issuance. Moreover, since July this year, the 2-year and 10-year yields of U.S. Treasury bonds have inverted, making long-term bonds less attractive. The total issuance of bonds with a tenor of more than 5 years was USD6.0 billion, representing 82.1% YoY decrease and accounting for 6.9% of the total issuance. The average tenor of new issuances fell from 3.35 years in 2021 to 2.07 years in 2021<sup>4</sup>.

<sup>3</sup> Only bonds with fixed coupon rates with no repurchase or resale clauses were counted.

<sup>4</sup> Only non-perpetual bonds were counted.

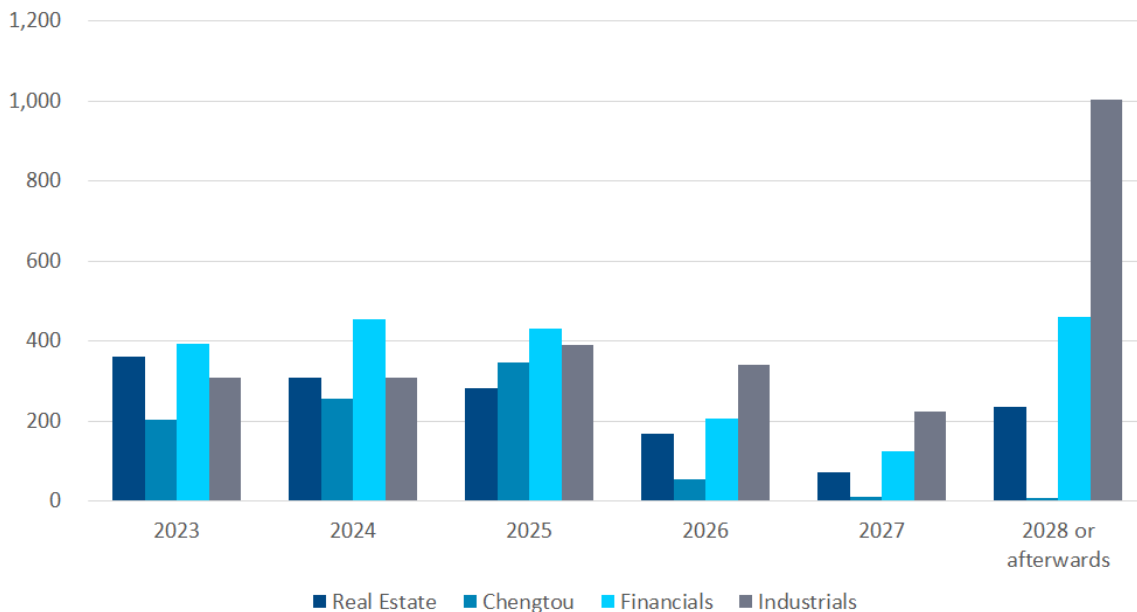
Exhibit 4: Average coupon rate of Chinese dollar bonds from 2016Q1 to 2022Q4



Source: Bloomberg, CCXAP Research

As of December 31, 2022, the outstanding amount of Chinese dollar bonds was USD694.1 billion. Among them, the amounts that will mature in 2023, 2024 and 2025 are USD126.6 billion, USD132.5 billion, and USD145.1 billion, respectively. From an industry perspective, the next one to three years will be the peak period for the maturity of financial dollar bonds. Outstanding amounts that will be due in 2023, 2024, and 2025 are USD39.2 billion, USD45.3 billion and USD43.0 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 2023 and 2024 are USD36.1 billion and USD30.9 billion, respectively. In terms of Chengtou dollar bonds, the outstanding amounts due in 2023, 2024, and 2025 are approximately USD20.3 billion, USD25.6 billion and USD34.8 billion, respectively.

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



Source: Bloomberg, CCXAP Research

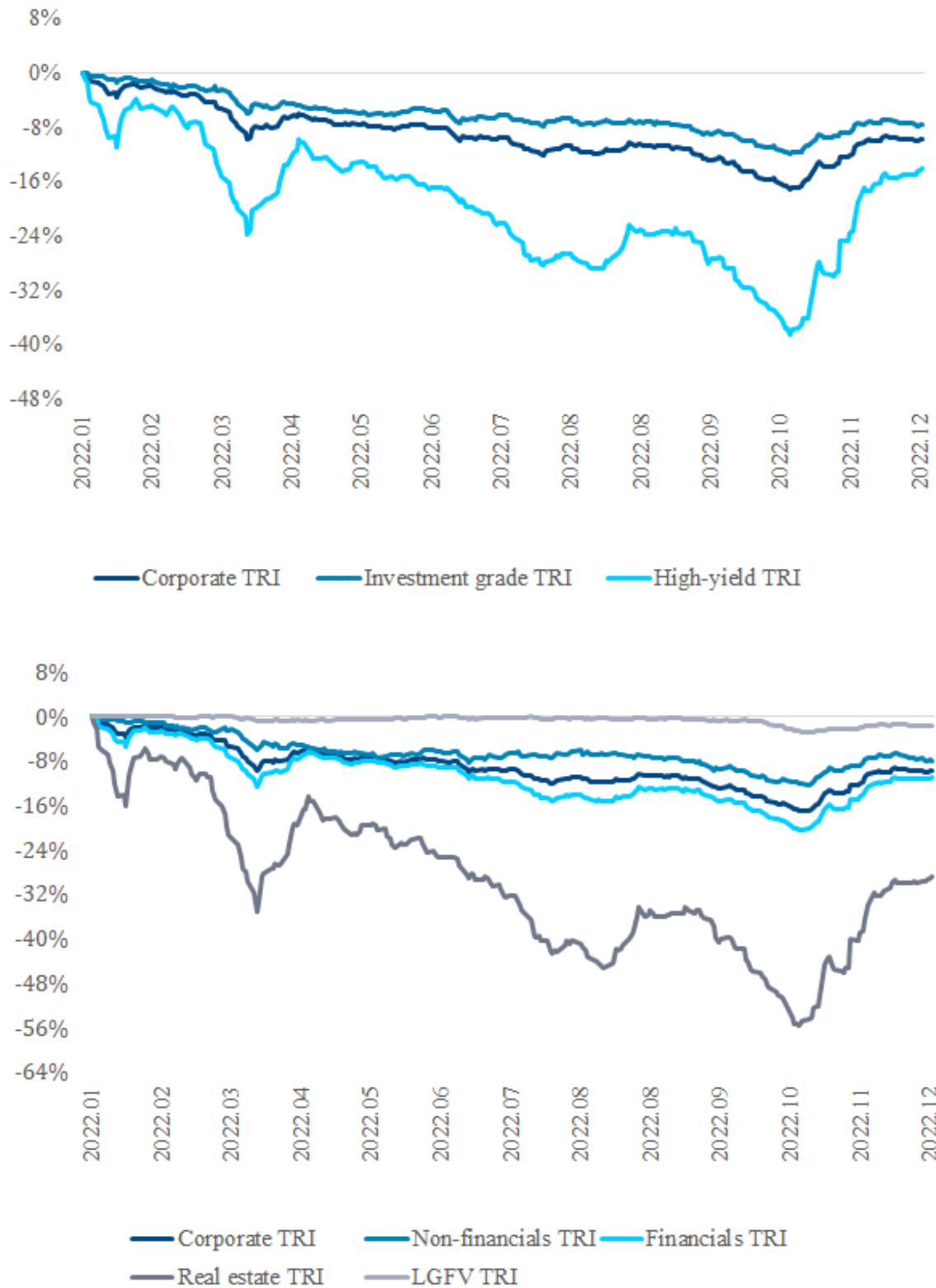


## Secondary Market

**The high-yield return index continued to fluctuate violently under the influence of real estate policies, showing a general downward trend, dragging down the overall performance of the secondary market; although it rebounded in the fourth quarter.** In 2022, the overall performance of the Chinese dollar bond market showed a downward trend. In the fourth quarter, there was a significant rebound, and the performance of high-yield bonds continued to deteriorate. At the beginning of 2022, several real estate companies launched exchange offers or even defaulted. Consequently, many investors panic and sold their real estate bonds, causing a sharp drop in bond prices and a continuous decline in the rates of return to new lows. In late January, high-yield real estate bonds rebounded sharply due to rumors about easing of 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 prudent 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. In July, several real estate companies defaulted, and the prices of the high-yield real estate sector were further under pressure. In late July, the real estate sector was boosted by the news that a RMB100 billion real estate bailout fund would be set up. In August, the High Yield Return Index hit a new low of -28.82%. In late August, China Bond Insurance Corporation provided full guarantees for the issuance of new bonds by real estate companies such as Longfor and Country Garden, 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. In October, CIFI Holdings, which had just obtained guaranteed bond issuance for a few weeks, unexpectedly defaulted on its overseas bonds, which once again triggered market panic. On November 3, the return of high-yield bonds hit a low of -55.5%. In November, real estate dollar bonds bottomed out and rebounded, driving the overall rise of Chinese dollar bonds. In December, with the loosening of the zero-clearing policy in mainland China, market confidence improved, which led to a rebound in secondary market prices. As of 31 December 2022, the year-to-date (YTD) return of Chinese dollar bonds was -9.84%, of which the return rate of investment-grade bonds was -7.70%, and the return rate of high-yield bonds was -13.97%.

As of 30 December 2022, the yield spread of Chinese dollar bonds was 368.56bp, a decrease of 34.4bp from the beginning of the year. The yield spread of investment-grade bonds increased by 28.9bp to 170.25bp, while that of the high-yield bonds decreased by 71.1bp to 1519.80bp.

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



Source: Bloomberg, CCXAP Research

**The overall return rate of Chinese dollar bonds was poor, especially in the real estate industry.** In terms of sectors, as of 31 December 2022, real estate dollar bonds performed the worst, with a year-to-date return

rate of -28.71%, followed by financial (-11.03%), non-financial (-7.94%) and Chengtou (-1.60%). Affected by credit events and market sentiment, the performance of the real estate sector declined in 2022Q1; after that, many real estate companies made exchange offers or declared default, with a rate of return of -16.11% in 2022Q2; 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 relaxation of zero-clearing policies in the Mainland, the real estate industry rebounded in 2022Q4. Affected by the poor market environment and the resurgence of the pandemic, the financial and non-financial sectors continued to decline, but the decline was relatively stable in 2022Q4. In terms of the Chengtou sector, investors had a certain confidence in the strong linkage between onshore and offshore Chengtou bonds. The performance of the Chengtou bonds was relatively stable compared with other sectors, with a rate of return of -1.60% in 2022.

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

Markit iBoxx USD Asia ex-Japan China Index Return	2022Q1	2022Q2	2022Q3	2022Q4	2022
<b>Real Estate TRI</b>	-19.38%	-16.11%	-11.50%	18.55%	-28.71%
- Investment Grade TRI	-8.28%	-9.05%	-5.14%	2.03%	-19.28%
- High-Yield TRI	-27.23%	-23.16%	-17.00%	36.83%	-35.90%
<b>Financials TRI</b>	-7.50%	-4.52%	-3.96%	4.53%	-11.03%
- Investment Grade TRI	-3.71%	-2.07%	-2.68%	0.83%	-7.20%
- High-Yield TRI	-15.18%	-11.09%	-7.51%	21.60%	-14.89%
<b>Non-Financials TRI</b>	-4.84%	-1.87%	-3.27%	1.26%	-7.94%
- Investment Grade TRI	-5.02%	-1.78%	-3.40%	1.18%	-8.22%
- High-Yield TRI	-2.41%	-3.60%	-0.78%	2.86%	-3.57%
<b>Chengtou TRI</b>	-0.67%	0.30%	-0.61%	-1.07%	-1.60%
- Investment Grade TRI	-1.37%	-0.05%	-0.98%	-1.35%	-3.28%
- High-Yield TRI	1.69%	1.70%	1.31%	0.73%	5.97%

Source: Bloomberg, CCXAP Research

## Rating Actions and Credit Events

### Negative rating actions continued unabated, with real estate companies being intensively downgraded.

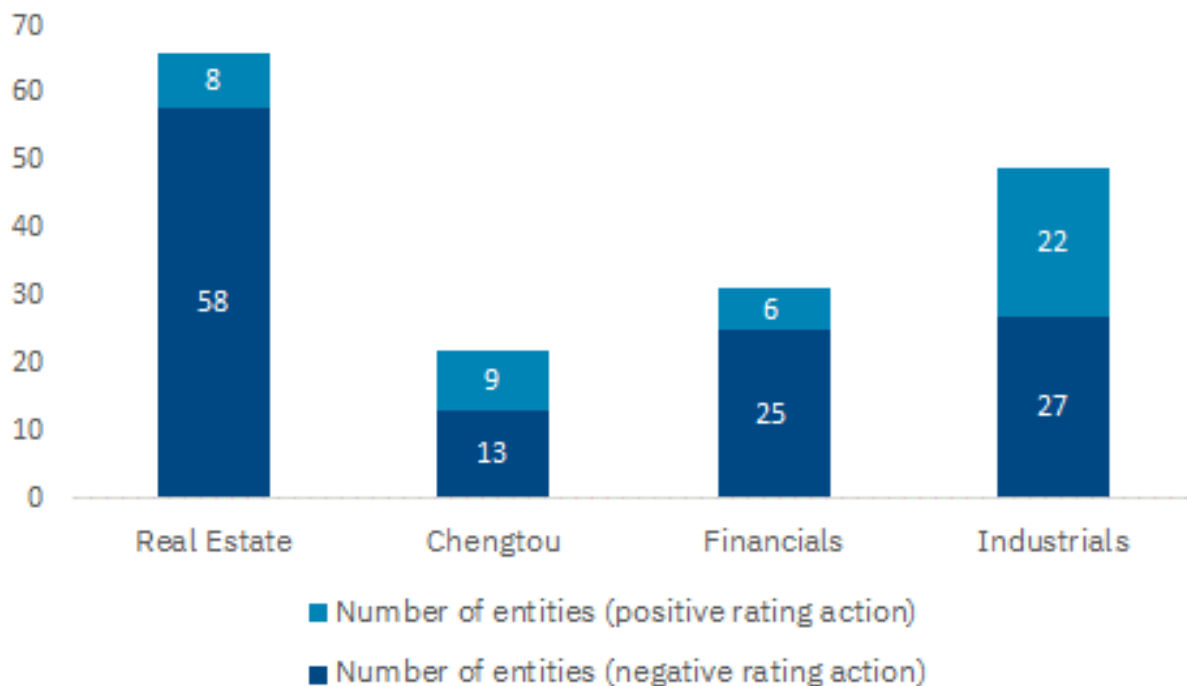
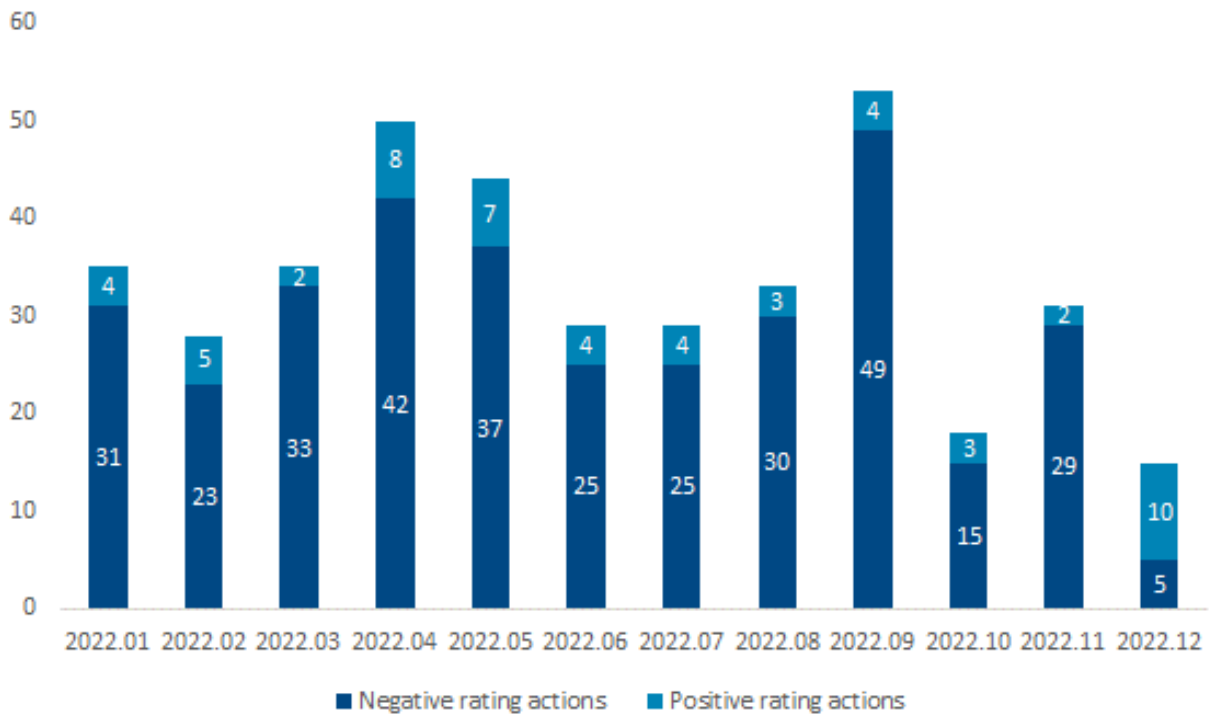
In 2022, the three major international rating agencies took rating actions on 168 Chinese issuers<sup>5</sup>, including 344 negative rating actions and 56 positive rating actions<sup>6</sup>. Negative rating actions accounted for 86% of all rating actions. The credit quality of Chinese issuers has deteriorated amid the downward pressure on the economy. In terms of industry distribution, negative rating actions were mainly concentrated in the real estate industry, mainly due to issuer defaults or weakening business and financial strength. In 2022, rating actions were taken against 58 real estate issuers, of which 8 issuers were upgraded. There were 23 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 of 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 13 Chengtou companies, mainly due to the issuers being less likely to receive government support 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. At the same time, the performance of companies in other industries was divided, with 27 downgrades and 22 upgrades. The issuers whose ratings were upgraded were mainly distributed in raw materials (8) and industrials (2), driven by the reduced liquidity risk brought about by the

<sup>5</sup> 1 issuer has been both downgraded and upgraded

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

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 2022



Source: Bloomberg, CCXAP Research

**Continued credit risk exposure of real estate companies.** According to Bloomberg, in 2022, 43 Chinese issuers defaulted on their offshore bonds, with a total default amount of approximately USD38.5 billion, among them, the default amount of approximately USD5.5 billion. The number of newly defaulted companies/the number of stocks at the beginning of the year was about 4.6%, which shows an upward trend compared with 2021. 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. In 2022, there were 39 defaulted entities, mainly real estate companies, including China Evergrande, Fantasia Holdings Group, Shimao Group, Logan Group, China Aoyuan, Modern Land, Sunac China, and Kaisa Group, etc.

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

Enterprise	Defaulted events
<b>China Aoyuan</b>	<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>
<b>Yango Group</b>	<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>
<b>Dafa Properties</b>	<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>
<b>Guorui Properties</b>	<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>
<b>Yuzhou Group</b>	<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>
<b>Shinsun Holdings</b>	<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>
<b>Zhenro Properties</b>	<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</p>

	<p>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>
<b>Fantasia Holding</b>	<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>
<b>E-House China</b>	<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>
<b>Fujian Sunshine</b>	<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>
<b>Hongkun Weiye</b>	<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>
<b>Sunac China</b>	<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>
<b>Wuhan Dangdai</b>	<p>On June 16, Wuhan Dangdai Science &amp; 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>
<b>Jingrui Holdings</b>	<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>
<b>Skyfame Realty</b>	<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>
<b>Sunshine 100</b>	<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>
<b>Yida China</b>	<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>
<b>Sichuan Languang</b>	<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</p>

	billion yuan.
<b>Shimao Group</b>	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.
<b>Sansheng Holdings</b>	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.
<b>Sunkwan Property</b>	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.
<b>Ronshine China</b>	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.
<b>Xinyuan Real Estate</b>	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.
<b>Junfa Real Estate</b>	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.
<b>Powerlong Real Estate</b>	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.
<b>Zhongliang Holdings</b>	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
<b>Logan Group</b>	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
<b>Redsun Properties</b>	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.
<b>Jiayuan International</b>	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.

	<p>On August 26, Jiayuan International Conference stated that after the completion of the exchange offer, the remaining unexchanged senior notes will not be repaid.</p> <p>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.</p> <p>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.</p>
<b>China Fortune</b>	<p>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.</p>
<b>Landsea Green Management</b>	<p>On October 19, Landsea Green Management Limited. ("Landsea Green Management") announced that the exchange offer for its senior notes due in 2022 with a coupon of 10.75% had expired on October 18. As of the exchange expiry, the notes in the principal amount of USD132 million have been validly submitted for exchange pursuant. Landsea Green Management has decided to accept existing notes in the principal amount of USD132 million in exchange. Subject to the satisfaction or waiver of the conditions precedent to the exchange offer, Landsea Green Management expects to issue new notes in the principal amount of USD119 million pursuant to the exchange offer for the existing notes validly submitted for exchange and accepted. The remaining existing notes after the exchange offer, the company announced that it continues to communicate with the holders of these notes, but as of now it has not been paid off.</p>
<b>CIFI</b>	<p>On October 11, market rumors stated that some holders of CIFI Holdings' HKD2.5 billion convertible bonds had not yet received the coupon payable and its USD70 million syndicated installment payment was postponed until October 28.</p> <p>On November 1, CIFI Holdings released insider information saying that it had suspended the payment of USD414 million in principal and interest payable and started discussions with overseas creditors.</p>
<b>Helenbergh China</b>	<p>On November 8, Helenbergh China Holdings Limited announced that the interest payments on the notes due in October 2023 amounting to USD14.9 million were due on October 8, 2022. Affected by unfavorable factors such as the macroeconomy, the real estate market and the financial environment, coupled with the impact of multiple rounds of pandemics disclosed in the announcement on November 2, 2022, the company has not paid interest before the expiration of the grace period. This non-payment has triggered an event of default under the terms of the note.</p>
<b>Redco Group</b>	<p>On November 15, Redco Properties Group Ltd. has not yet paid the current coupon for REDPRO9.9 02/17/24 which failed to pay on August 17. In addition, note holders indicated that they have not received the coupon due on 25 September for REDPRO 8 03/23/23 and that the 30-day payment period has passed.</p>
<b>Dexin China</b>	<p>On November 18, Dexin China Holdings Co., Ltd. announced that at least USD313 million or 90% of the outstanding principal amount of the existing notes (9.95% senior notes due in 2022 minimum acceptance) to start the exchange offer. The company believed that if the exchange offer is successfully completed, it can improve the company's financial situation, extend the debt maturity and improve its cash flow.</p> <p>On December 15, the progress of Dexin China's USD bond extension: more than 75% of the holders have joined the debt restructuring support agreement, which is a technical default.</p>
<b>Jinkeproperty</b>	<p>On December 27, Jinke issued USD325 million senior notes with a coupon rate of 6.85% due in May 2024 in May 2021, and listed them on the Stock Exchange of Hong Kong Limited. As of the date of this announcement, the interest of the above-mentioned senior notes amounting to USD11.1 million shall be due on November 28, 2022. However, the current domestic cash flow of the company is severely restricted. The company was unable to obtain enough cash to pay the interest within the time limit (30 days).</p>
<b>Times China</b>	<p>On November 30, Times China Holdings informally stated that since the company is still waiting for domestic funding, there is uncertainty in the payment of interest on its two USD debts due on November 30 and December 4. The company also said it still plans to complete the interest payment within the grace period.</p> <p>On December 30, Times China announced that it expects to suspend the payment of its offshore debts, failure to repay may lead to the group's creditors demanding faster repayment of their debts.</p>
<b>Enterprise</b>	<b>Credit Events</b>
<b>Kaisa Group</b>	<p>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.</p> <p>On October 10, Kaisa stated that it will continue to communicate with overseas creditors to alleviate liquidity problems and formulate potential restructuring plans.</p>
<b>Yincheng International</b>	<p>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.</p> <p>On September 1, Yincheng International announced that the company issued an exchange offer for 12.5% senior</p>



	notes due in 2022, with an outstanding principal amount of USD110 million.
<b>Redco Properties</b>	<p>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.</p> <p>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.</p>
<b>Zhongnan Construction</b>	<p>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.</p> <p>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.</p> <p>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.</p>
<b>Greenland Holdings</b>	<p>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.</p> <p>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.</p>
<b>Leading Holdings</b>	<p>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.</p> <p>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.</p>
<b>R&amp;F Properties</b>	<p>On June 17, Guangzhou R&amp;F Properties Co., Ltd. ("R&amp;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.</p> <p>On July 14, R&amp;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).</p>
<b>Huijing Holdings</b>	<p>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.</p> <p>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</p>
<b>China South City</b>	<p>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.</p> <p>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.</p>
<b>Times China</b>	<p>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.</p>
<b>KWG Group</b>	<p>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.</p> <p>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.</p>
<b>Rongsheng Development</b>	<p>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</p>

	Solicitation is being issued to the holders.
<b>Landsea Green Management</b>	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.
<b>Helenbergh China</b>	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.
<b>Ganglong Property</b>	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.
<b>CIFI Holdings</b>	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.
<b>Central China</b>	On November 11, the management of Central China confirmed that it had not paid the bond interest due on November 7 this year, but expected to pay within the 30-day grace period. The group said the missed interest payment due to the pandemic-related restrictions in Zhengzhou caused delays in the processing of funds transfers by the relevant banks.
<b>Agile Group</b>	On November 30, according to the overseas debt information platform, two people familiar with the matter revealed that according to the notice received by the bond custodian, Agile Group Holdings Co., Ltd. ("Agile") has chosen to defer the current distribution interest payable of the USD700 million perpetual bond AGILE 8.375 PERP on December 4, 2022. In addition, according to another source, Agile had previously postponed another tranche of USD7.8 million dividend payable due on 25 November of perpetual debt AGILE 7.75 PERP, with a 30-day grace period scheduled to make up current coupon of AGILE 7 11/24/26 due on 24 November.
<b>JY Grandmark</b>	On December 19, 2022, Jingye Mingbang Group Holdings Co., Ltd. announced that the company's outstanding senior notes of USD152.1 million due in 2023 held by non-US citizens outside the United States, with a coupon rate of 7.5% to initiate an exchange offer.

Source: Public information, CCXAP Research

## Regulation: China's NDRC issued management measures for the issuance 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 is also proposed that the use of foreign offshore funds should focus on the issuers' main businesses, cooperate with the implementation of major national strategies, and support the development of the real economy. Offshore debts will not increase the local governments' implicit debts.

On January 10, 2023, NDRC published Order No. 56, "Administrative Measures for the Review and Registration of Medium and Long-term offshore Debts of Enterprises" ("the Measures"), which will come into effect on February 10, 2023, and Document No. 2044 will be abolished at the same time. In terms of the offshore debt

registration system, the record registration system has been converted to the review and registration system. At the same time, the use of funds has changed from "use independently abroad according to actual needs" to the scope of the "five nos" clearly stipulated in the official draft, including not being used for speculation or hype; except for banking financial enterprises, no lending to others is allowed unless the relevant circumstances have been stated in the application materials for offshore debt review and registration and have been approved. The promulgation of the Measures is the rapid expansion of the market, and the improvement of supervision that keeps pace with the times after some risks have been exposed, reflecting a strong spirit of standardization and risk prevention. There are considerations from the perspective of risk prevention, and there is the clear goal to regulate offshore debt financing behaviors before, during and after the events, and to consolidate the main responsibilities of all parties.

## Outlook

With the Federal Reserve's interest rate hikes and quantitative tightening measures to curb soaring inflation, inflation in the United States began to show signs of falling. The United States announced in January that the latest consumer price index (CPI) for December was 6.5%, in line with market expectations of 6.5%, and a certain decline from the previous value of 7.1%. It was the 6<sup>th</sup> consecutive monthly decline since peaking in mid-2022. As inflation rises become "moderate", the pace of Fed rate hikes has also slowed down. In December, after four consecutive ultra-aggressive rate hikes, the Fed began to slow down the pace of rate hikes as expected by the market, reducing the pace of rate hikes from 75 basis points to 50 basis points. The market expected the Fed to stop raising interest rates by the end of 2023 due to cooling inflation and rising unemployment. As the pace of Federal Reserve's rate hike slows down, it is expected that the offshore bond market of Chinese-funded enterprises will improve in 2023. This is the peak period for Chinese dollar bond repayments, especially in the financial and real estate sectors. In the second half of 2022, good news on real estate policies will continue to spread, and the secondary real estate dollar bond market will be the first to recover. However, it is necessary to pay attention to the actual effect of relevant policies on the real estate demand side and the improvement of the refinancing environment. We expect that in the first half of 2023, it will be difficult to see any significant improvement of the offshore financing environment for real estate companies. At the same time, as NDRC tightened the supervision of Chengtougou's offshore debt, Chengtougou's overseas refinancing will still be under pressure in 2023, and the new issuance of Chengtougou dollar bonds may slow down. In terms of the secondary market, the lifting of pandemic prevention restrictions and the favorable real estate policies have played a role in promoting economic growth. It is expected that the high-yield bonds will usher in a phased recovery, and high-yield bonds may show an upward trend in the short term. Without repairing the market fundamentals, high-yield bonds still have volatility risks, and we need to pay attention to the impact of potential risk exposures in weak regions and poor-quality Chengtougou investment in 2023.

Since 2022, factors such as repeated pandemics in many places and the suspension of several off-plan housing projects have occurred frequently. Real estate companies with tight capital chains and heavy debt repayment pressure will face severe repayment tests in the future. Affected by the sharp decline in government land transfer fee revenue, it is expected that new risk entities may be exposed in 2023. In addition, with the continuous rise of overseas financing costs and the relatively large maturity scale, it is necessary to stay vigilant to the possibility of risk transmission from the offshore bond market to the domestic market. In 2023, the maturity amount of Chinese dollar bonds is still relatively large, which comes to USD126 billion. Under a restricted market environment, Chinese enterprises will need to bear higher refinancing costs and face greater foreign currency repayment pressure.

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