

2023Q3 Chinese Offshore Bond Market Report



中國誠信(亞太)信用評級有限公司
CHINA CHENGXIN (ASIA PACIFIC) CREDIT RATINGS COMPANY LIMITED

Analyst

Amy Chen
+852-2860 7140
amy_chen@ccxap.com

Simon Chen
+852-2860 7138
simon_chen@ccxap.com

Peter Chong
+852-2860 7124
peter_chong@ccxap.com

Other Contacts

Elle Hu
+852-2860 7120
elle_hu@ccxap.com

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New issuance of Chinese offshore bonds has dropped, while debt rollover risks of Chengtou and transmission risk of real estate developers are noteworthy

2023Q3 Chinese Offshore Bond Market Recap

- **The New issuance of Chinese offshore bonds decreased, and the net financing amount was negative.** In the third quarter of 2023, Chinese issuers issued a total of 162 offshore bonds, a YoY decrease of 4.7%; the issuance amount was approximately USD17.5 billion, a YoY decrease of 8.6%. Affected by the real estate sector, the primary issuance of Chinese offshore bonds remained low, and the net increase continued to be negative. The net financing of Chinese offshore bonds in the third quarter of 2023 was -USD17.9 billion.
- **The issuance scale of each sector has shrunk.** Industrial bonds suffered the largest decline, with an issuance amount of USD460 million, a decline of 97.8%. As the impact of the default risks of real estate enterprises has not yet completely subsided, the amount of real estate offshore bond issuance in the third quarter was USD100 million, a decrease of 96.7%. The amount of offshore bonds issued by financial institutions was USD10.5 billion, decreasing by 66.8%. Chengtou offshore bond issuance decreased by 47.0% YoY to USD5.9 billion.
- **There were no high-yield issuances in the third quarter, and the proportion of unrated issuances increased.** Due to factors such as the continued real estate default turmoil and the tightening of bond issuance in free trade zones, the number of real estate and Chengtou issuers has decreased, resulting in a sharp decline in the issuance amount of high-yield issuers. There were no high-yield issuances in the third quarter of 2023. In addition, as some entities issued offshore bonds through bank standby letters of credit, the number of unrated issuances increased significantly.
- **SBLCs were mainly issued by district and county-level Chengtou issuers.** In the third quarter of 2023, 30 bonds were issued through SBLC, with an issuance size of approximately USD2.2 billion, accounting for 12.5% of the issuance scale. District and county-level Chengtou companies were the main issuers.
- **The coupon rate of Chinese offshore bond issuance has remained high, and the average maturity of issuance has decreased slightly.** The average coupon in the third quarter was still at a high level of 5.19%. In the third quarter of 2023, the average maturity of Chinese offshore bonds decreased to 2.07 years from 3.99 years in the same period last year.
- **US dollar bonds still accounted for the majority, but with a downward trend, and the scale of RMB bond issuance has increased significantly.** In the third quarter, US dollar bonds were still the main type of bond in the Chinese offshore bond market, but the issuance scale continued to decline. The number of offshore bonds issued in RMB has increased rapidly since the third quarter, and the scale of RMB bond issuance has increased significantly.
- **The overall return of Chinese offshore bonds was on an upward trend, with the real estate sector performing the worst.** In the first half of 2023, the total return index of Chinese offshore bonds was 1.6%, of which the return rate of investment-grade bonds was 3.2%, and the return rate of high-yield bonds was -8.2%. In terms of sectors, real estate offshore bonds performed the worst, with a return of -12.88% in the first half of the year.
- **Returns on offshore bonds continued to decline, and the real estate sector performed the worst.** In the third quarter of 2023, the total return index of Chinese offshore bonds was -0.2%. Investment grade bonds returned 2.7% and high-yield bonds returned -18.2%. Classified by sector, the real estate offshore bonds have seen the most significant year-to-date decline, with a return of -30.64% in the third quarter.

Rating Actions and Credit Events

- **Negative rating actions still accounted for the majority of rating actions, and the real estate industry has been intensively downgraded.** In 2023Q3, the three major international rating agencies took 171 rating actions, including 133 negative rating actions and 38 positive rating actions, with negative rating actions accounting for 77% of rating actions. In the first three quarters of 2023, 63 real estate issuers had their ratings downgraded.
- **Continued credit risk exposure of real estate companies.** In the first three quarters of 2023, 14 Chinese issuers defaulted on offshore bonds, with the total default amount reaching USD7.7 billion, a sharp drop from 2023Q3.

Outlook

- The US dollar financing cost is high, while there are fewer investors in other offshore currencies such as Euro and Yen, and their issuance scale is limited. It is expected that the Chinese offshore bond issuance will decrease this year. However, In the context of tightening of bond policies in the free trade zone bonds and the inversion of treasury rates between China and the United States, the issuance of dim sum bonds may usher in a wave of rise in the short term.
- Affected by lower-than-expected economic growth, downturn of the real estate industry, and weak land market, some local governments are under great financial pressure, resulting in project payment delays. In addition, Chengtou companies have insufficient endogenous cash flow and limited financing channels, resulting in the weakening of the ability of poor-quality Chengtou companies to repay debt principal and interest. The rollover risk of Chengtou bonds deserves attention. At the same time, as highly leveraged enterprises, real estate companies have absorbed a large amount of financial resources. The deterioration of the capital chains will directly lead to an increase in bank non-performing loans and also increase the possibility of real estate industry risks being transmitted to the financial system.

Introduction

From January to September 2023, the Federal Reserve raised interest rates 4 times, with a total of 100 basis points, and the US federal funds rate rose to the range of 5.25%-5.50%. Therefore, U.S. bond interest rates remain high, and the inversion in the interest rate gap between China and the United States continues to widen. At the same time, the domestic regulatory environment for foreign debt has also changed. At the beginning of the year, the National Development and Reform Commission officially promulgated the "Measures for the Review and Registration of Medium- and Long-term Foreign Debts of Enterprises" (Circular No. 56). Compared with the previous Document No. 2044, the new regulations place more emphasis on controlling foreign debt risks, raised the requirements for corporate information disclosure, and greatly increased the review time to 3 months. Due to the high cost of issuing overseas US dollar bonds, Chinese issuers are less willing to issue offshore debts. Meanwhile, Chinese regulatory agencies have tightened policies on offshore bond issuance. New issuance volume in the primary market of Chinese offshore debt has decreased, and the net financing amount has continued to be negative. In the third quarter of 2023, China's offshore bond market remained sluggish. Chinese issuers issued a total of 162 offshore bonds, a decrease of 4.7% year-on-year ("YoY"); the issuance amount was approximately USD17.5 billion, a YoY decrease of 8.6%; the net financing amount was -USD17.94 billion. In addition, affected by the window guidance of the free trade zone bond, the new issuance of free trade zone bonds has decreased significantly since June, and it is expected that the issuance of free trade zone bonds will be difficult to recover in the short term. Moreover, the financing cost of US dollars is high, coupled with the fact that there are fewer investors in other offshore currencies such as Euro and Yen, and their issuance scale is limited, it is expected that China's offshore bond issuance will decrease this year.

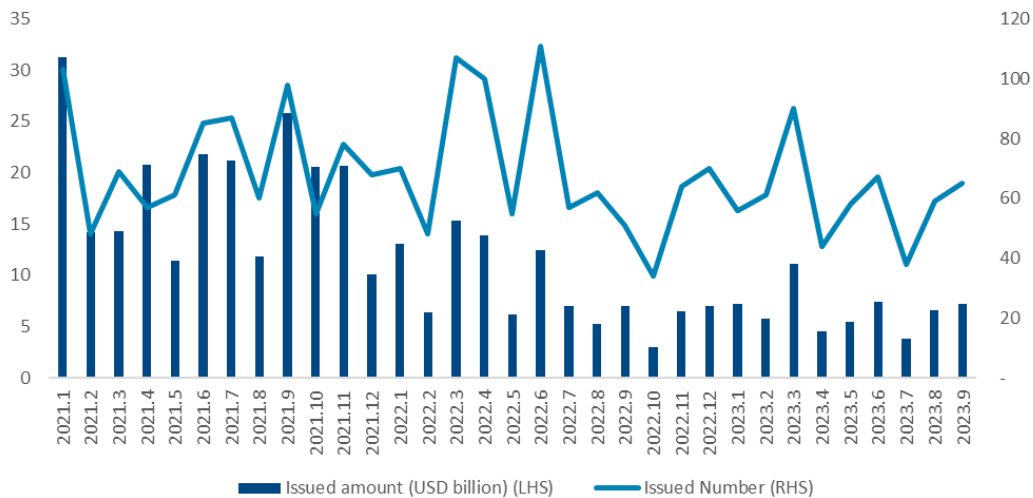
Chinese Offshore Bond Market Recap

Primary Market

The New issuance of Chinese offshore bonds decreased, and the net financing amount was negative. In the third quarter of 2023, Chinese issuers issued a total of 162 offshore bonds, a YoY decrease of 4.7%; the issuance amount was approximately USD17.5 billion, a YoY decrease of 8.6%. Compared with the same period last year, the size of a single issuance was about USD110 million, a YoY decrease of 4.1%. Since the second half of 2021, the wave of defaults by Chinese real estate companies has continued, and international rating agencies have continuously downgraded the rating outlook of many Chinese real estate companies, hindering their overseas financing and shrinking the scale of new issuance in the real estate sector significantly. In late August, favorable real estate policies supported a temporary recovery in economic expectations, but the risk of defaults by real estate enterprises has not completely subsided. Affected by the real estate sector, the primary issuance of Chinese offshore bonds remained low, and the net increase continued to be negative. The net financing of Chinese offshore bonds in the third quarter of 2023 was -USD17.9 billion. From January to September 2023, the amount of Chinese offshore bonds issued was about USD60.1 billion, a YoY decrease of 30.5%.

Specifically, due to the high US dollar financing costs and the intensified credit risks of Chinese real estate enterprises, the issuance of Chinese offshore bonds in July continued the downward trend in the first half of the year, with the amount and number of issuances falling by 46.2% and 33.3% YoY, respectively. In August and September, primary market issuance stabilized and rebounded, but the issuance scale was still at a low level. In August, driven by a substantial increase financial offshore bond issuance, the issuance scale increased by 25.8% YoY to USD3.8 billion. The issuance scale in September increased by 3.1% YoY.

Exhibit 1: In the third quarter of 2023, the amount and number of Chinese offshore bonds issued remained at a low level

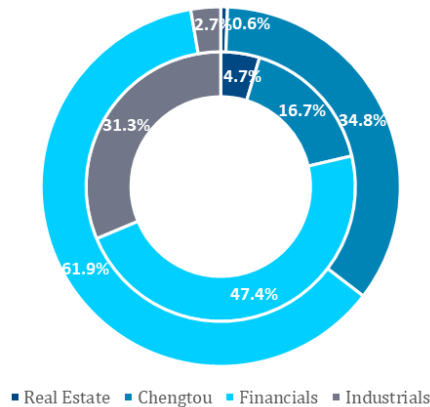


Source: CCXAP Research

In the third quarter of 2023, the issuance scale of each sector has shrunk. Classified by industry, real estate, Chengtou, financial institutions and industrial enterprises accounted for approximately 0.6%, 34.8%, 61.9% and 2.7% of new issuances in the third quarter of 2023, respectively. Industrial bonds saw the largest decline, with an issuance amount of USD460 million, a decline of 97.8%. In August and September, the real estate stimulus policy was intensively implemented, following the comprehensive announcement of "housing but not loans" in first-tier cities, many second-tier cities further announced the complete cancellation of purchase restrictions. However, as the impact of the default risk of real estate enterprises has not completely subsided, the amount of real estate offshore bond issuance in the third quarter was USD100 million, a decrease of 96.7%. The amount of offshore bonds issued by financial institutions was USD10.5 billion, decreasing by 66.8%. As regulators focused on controlling the further growth of Chengtou companies' debt and investors' preference for high-risk credit bonds declined, the issuance of Chengtou offshore bonds fell by 47.0% YoY to USD5.9 billion.

In the third quarter, favorable policies for Chengtou companies have been introduced one after another, which deserves attention to. In July, the Politburo meeting emphasized the formulation and implementation of bonds reduction project and a RMB1.5 trillion special refinancing bond issuance plan. At the same time, the real estate industry, which is closely related to the regional land market, also launched relevant favorable promotion policies in August. However, it is still necessary to pay close attention to the liquidity and debt stress in some weak regions. Since the central bank's window guidance in May required banks to stop buying FTZ bonds from issuers that have not carried out substantive business in the FTZ, the financing channels for Chengtou companies as the main sector of FTZ bond issuance have been narrowed. From 17 June to the date of writing, there were no new issuance of FTZ bonds. On the other hand, issuance of dim sum bonds (offshore bonds denominated in RMB) has bucked the trend and soared in recent months.

Exhibit 2: Sector distribution of Chinese offshore bonds in 2022Q3 and 2023Q3



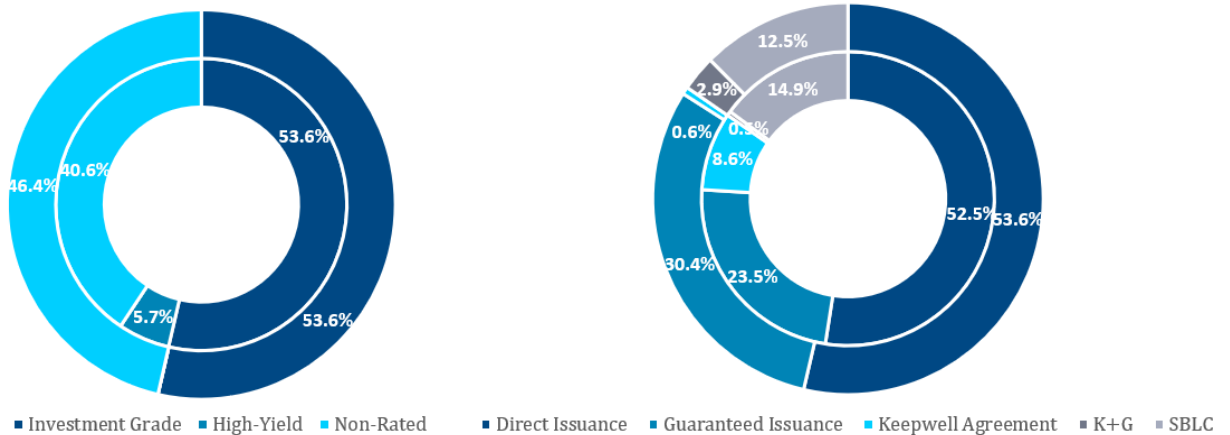
Remark: Based on issuance amount; Inner Circle is the statistics of 2022Q3, Outer Circle is the statistics of 2023Q3
Source: CCXAP Research

There were no high-yield issuances in the third quarter, and the proportion of unrated issuances increased.

In the third quarter of 2023, a total of 162 Chinese offshore bonds were issued, 24 of which were rated by the three major international rating agencies. In terms of investment-grade issuances, there were 24 investment-grade issuances in the third quarter of 2023, representing an increase of 5.56% YoY to USD9.40 billion, and accounting for approximately 53.6% of new issuances. Since the first half of 2023, affected by factors such as the ongoing real estate default crisis and the tightening of bond issuance in the free trade zones, the number of real estate and Chengtou issuers has decreased, resulting in a significant drop in the issuance amount of high-yield issuers. There were no high-yield issuances in the third quarter of 2023, and there were only 9 in the first half of the year, and the issuance amount decreased to USD1.9 billion, accounting for only about 4.0% of new issuance. In addition, as some entities issued offshore bonds through bank standby letters of credit, the number of unrated issuances has increased significantly. Among the Chinese issuers in the third quarter of 2023, 138 Chinese offshore bond issuers did not receive public ratings from the three major international rating agencies. They were mainly Chengtou and financial companies, accounting for 85.2% of the new issuances. In the future, we need to continue to pay attention to the lack of ratings of Chengtou companies.

SBLC issuances were mainly issued by district and county-level Chengtou issuers. In the third quarter of 2023, the direct issuance and guaranteed issuance amounts of Chinese offshore bonds were USD9.41 billion and USD5.32 billion, respectively, accounting for approximately 53.6% and 30.4% of new issuances. Compared with the same period last year, the proportion of both has increased. Against the background of fluctuating market risk appetite, some weakly qualified enterprises provided guarantees for the repayment of bonds through credit enhancement measures, and SBLC issuance has maintained a certain proportion of the total issuance scale. In the third quarter of 2023, 30 bonds were issued through SBLC, with an issuance size of approximately USD2.2 billion, accounting for 12.5% of the issuance scale, of which district and county-level Chengtou issuers were the mainstay. The banks that provide certificates include Postal Savings Bank of China, Hengfeng Bank, Bank of Nanjing, Bank of Jiangsu, and other urban commercial banks. However, this also means that the risk of the performance of external guarantees provided by domestic issuing bank increases. If the issuer is unable to repay its debts, the securities preparation institutions need to use the domestic funds to compensate foreign investors. In addition, in the third quarter of 2023, USD110 million of offshore bonds were issued through keepwell agreements, mainly by financial institutions and Chengtou issuers. However, compared with direct, guaranteed and SBLC issuances, keepwell agreements do not have mandatory legal effect, and their role in reducing the issuers' financing costs is increasingly limited. Therefore, the issuance of keepwell agreements has shown a downward trend in recent years.

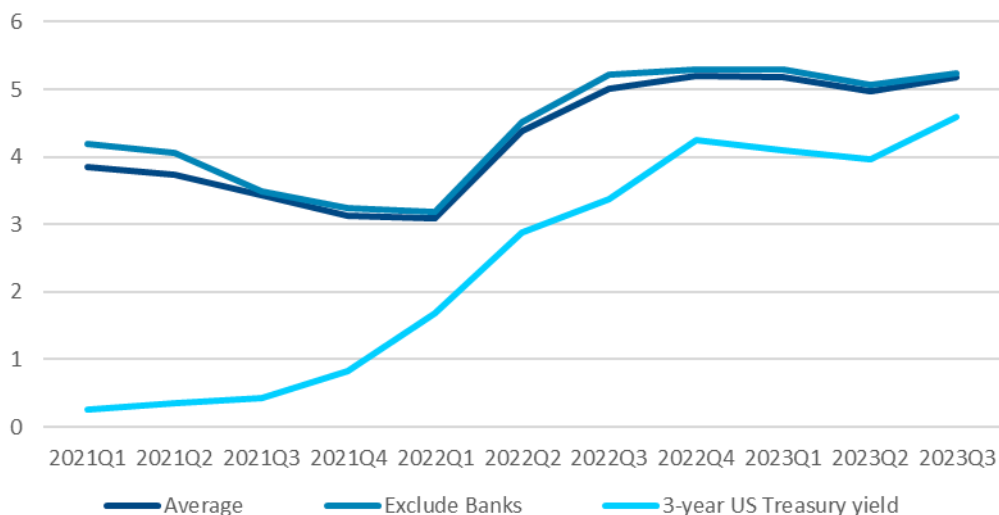
Exhibit 3: Rating distribution and issuance structure in 2022Q3 and 2023Q3



Remark: Based on issuance amount; Inner Circle is the statistics of 2022Q3, Outer Circle is the statistics of 2023Q3
Source: CCXAP Research

The Fed's interest rate hikes have peaked in stages, and the coupon on the issuance of Chinese offshore bonds has remained at a high level. In the third quarter of 2023, the Fed raised interest rates only once, raising rates by 25bp in July, and raising the target range for the federal funds rate to 5.25%-5.5%, which is the highest level since 2001. Then, in September, Fed Chairman Jerome Powell released a "hawkish" signal at a press conference, and the Fed's latest dot plot showed that most Fed officials continued to maintain their expectations of one more rate hike this year. With the Federal Reserve pausing interest rate hikes, the financing costs of Chinese offshore bonds were relatively stable in the third quarter of 2023. The overall coupon issued in September fell month-on-month, but the average coupon in the third quarter was still at a high level of 5.19%. As the U.S. economy and inflation persist in the short term, the market expects that the Fed may maintain high interest rates to curb inflation this year, which may subsequently push up U.S. bond interest rates. We believe that there is still room for growth in the cost of offshore bond issuance in China.

Exhibit 4: Average coupon rate of Chinese offshore bonds from 2021Q1 to 2023Q3

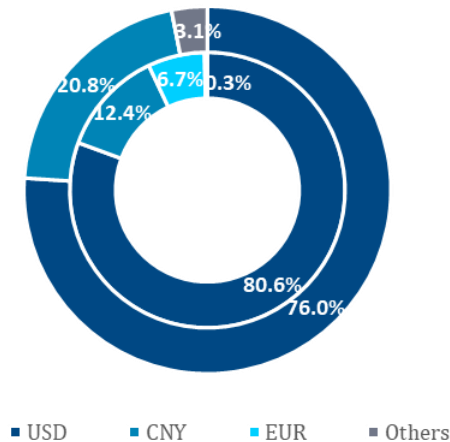


Source: CCXAP Research

The maturity of Chinese offshore bonds is still dominated by short and medium maturity, and the average maturity of issuance has decreased slightly. In the third quarter of 2023, Chinese offshore bonds with maturities of 1 to 5 years remained the main issuance, with an issuance amount of USD13.4 billion, accounting for 76.6% of new issuance in the third quarter (2022: 70.3%). As the market expects the Fed to peak this round of rate hikes, issuers generally prefer bonds with shorter maturities in order to refinance at a lower cost in a low-interest rate environment. In addition, the U.S. Treasury yield curve continued to invert, making long-term bonds less attractive. Foreign bonds with maturities of more than 5 years reaching only USD2 billion, accounting for 18.2% of new issuance in the third quarter. In the third quarter of 2023, the average maturity of Chinese offshore bonds fell to 2.07 years from 3.99 years in the same period last year.

US dollar bonds still account for the majority, but the downward trend is obvious, and the scale of RMB bond issuance has increased significantly. In the third quarter, US dollar bonds were still the main type of Chinese offshore bond market, accounting for 62.9%, but the issuance scale continued to decline, and the downward trend was obvious. As the interest rates of foreign currencies such as the US dollar and the euro remain high, the number of offshore RMB bond issuances has increased rapidly since the third quarter, and the scale of RMB bond issuance has grown significantly. In the third quarter, RMB issuances amounted to USD20.0 billion, accounting for 34.0% of all new issuances. This indicates that against the backdrop of turbulent global financial markets, relatively stable RMB assets were favored by issuers and international investors. The U.S. non-farm payrolls performance in September exceeded expectations, but the unemployment rate remained high, and the U.S. dollar will continue to remain strong in the short term.

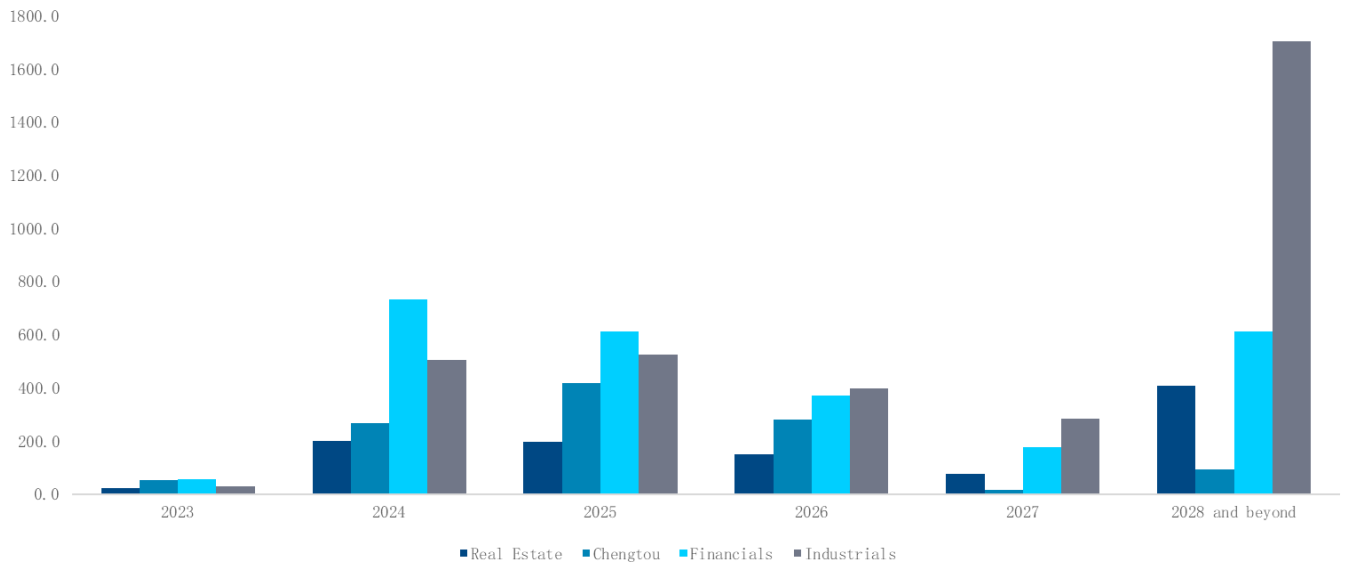
Exhibit 5: Distribution of the currency structure of Chinese offshore bond issuance in 2022Q3 and 2023Q3



Remark: Based on issuance amount; Inner Circle is the statistics of 2022Q3, Outer Circle is the statistics of 2023Q3
Source: CCXAP Research

Real estate and Chengtou offshore bonds will reach maturity peaks in the next two years. As of 30 September 2023, the total stock of Chinese offshore debt was USD817.4 billion (excluding defaulted bonds). Among them, the scale due in the fourth quarter of 2023, 2024 and 2025 will be USD15.8 billion, USD170.3 billion and USD175.2 billion, respectively. By industry, the next two to three years will be the peak maturity period for financial foreign bonds, with maturity scale of USD5.7 billion, USD73.3 billion and USD61.3 billion in the fourth quarter of 2023, 2024 and 2025, respectively. In terms of Chengtou bonds, the maturity scale in the second half of 2023, 2024 and 2025 will be USD5.2 billion, USD26.6 billion and USD41.7 billion, respectively. Due to the continued impact of the tightening of the bond investment policies in the Chengtou free trade zones and the tightening of overseas financing of Chengtou enterprises, the net financing scale of Chengtou issuers may decline in the future.

Exhibit 6: The maturity distribution of Chinese offshore bonds as of end of September 2023



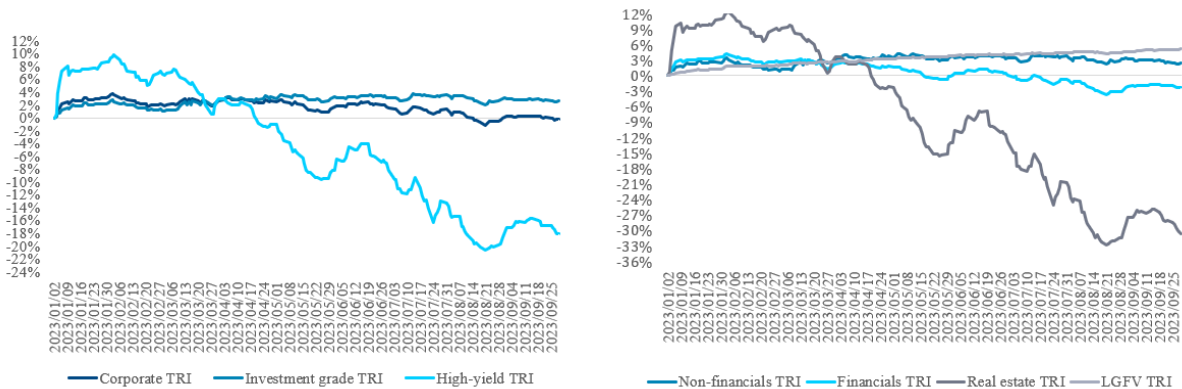
Source: CCXAP Research

Secondary Market

Returns on offshore bonds continued to decline, while investment grade yields remained positive in the third quarter. In the third quarter of 2023, the total return index of Chinese offshore bonds was -0.2%, decreasing by 179bp from the end of Q2. Investment grade bonds returned 2.7% and high-yield bonds returned -18.2%, decreasing by 50bp and 1,001bp respectively from the end of Q2. Chinese investment grade yields rose in July due to better-than-expected U.S. economic data and tighter real estate refinancing policies. However, since August, affected by the escalation of trade friction and the impact of the exchange rate breaking 7, secondary sentiment has significantly weakened, and both the investment grade and high-yield return indices have declined. In early September, U.S. Treasury rates climbed, driven by strong U.S. ISM services data, pushing investment-grade yields higher. In mid-September, a series of negative changes in the process of overseas debt restructuring of real estate companies triggered a decline in the high-yield index. As of now, the investment-grade US dollar bond index has maintained positive returns overall.

In terms of spreads, as of 30 September 2023, the spreads of Chinese offshore bonds decreased by 75.0bp from the beginning of the year to 293.58bp, of which the spreads of investment grade bonds fell by 25.1bp to 145.19bp and the spreads of high-yield bonds fell by 184.8bp to 1,335.00bp.

Exhibit 7: YTD return and Yield Spreads of Chinese offshore bond index in 2023Q3



Source: CCXAP Research

The real estate sector performed the worst, while the Chengtuo sector performed relatively strongly. Classified by sector, the year-to-date decline in real estate offshore bonds remained the most significant, with a return of -30.64% in the third quarter. Since July, some private real estate enterprises have experienced successive negative events, and the rate of return has continued to hit bottom. In August, favorable policies were introduced and implemented in various places, during which the rate of return partially rebounded, and the valuation slowly recovered. However, in September, affected by the default risk of some large real estate companies, the return rate fell again. This was followed by the financial sector (-2.26%), where the return on foreign debt continued to decline due to the remaining liquidity risks in the global banking sector. The non-financial sector (2.18%) continued to trend upwards under the influence of policy support and the restoration of investor confidence. The Chengtuo sector (5.12%) outperformed the real estate and the financials, and the index has maintained an upward trend since the third quarter.

Table 1: Returns of Chinese offshore bonds in 2023 Q3 (by industry)

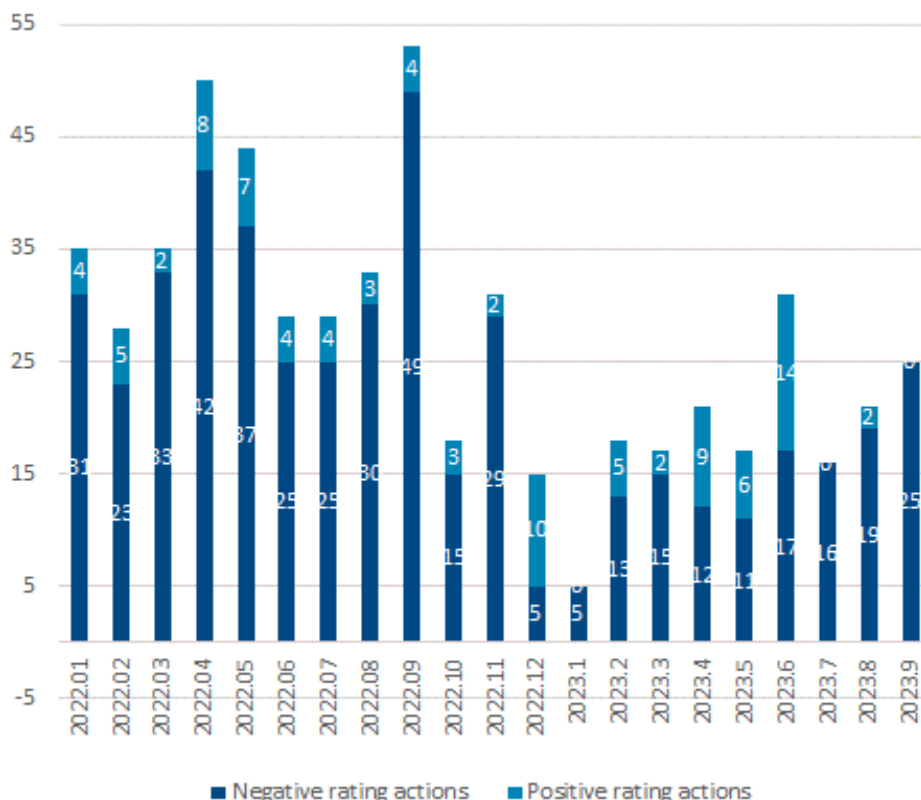
Markit iBoxx USD Asia ex-Japan China Index Return	Q1	Q2	Q3	Q1-Q3
Real Estate TRI	3.71%	-15.92%	-20.39%	-30.64%
- Investment Grade TRI	4.14%	-0.16%	-6.94%	-3.18%
- High-Yield TRI	3.44%	-28.40%	-35.53%	-52.35%
Financials TRI	2.29%	-2.25%	-2.37%	-2.26%
- Investment Grade TRI	2.11%	0.81%	0.09%	3.03%
- High-Yield TRI	2.83%	-12.59%	-12.73%	-21.56%
Non-Financials TRI	3.21%	0.22%	-0.99%	2.18%
- Investment Grade TRI	3.18%	0.15%	-1.12%	2.18%
- High-Yield TRI	3.81%	2.07%	3.12%	9.26%
Chengtou TRI	2.71%	1.24%	1.09%	5.12%
- Investment Grade TRI	2.68%	1.21%	1.19%	5.16%
- High-Yield TRI	2.92%	1.38%	0.41%	4.77%

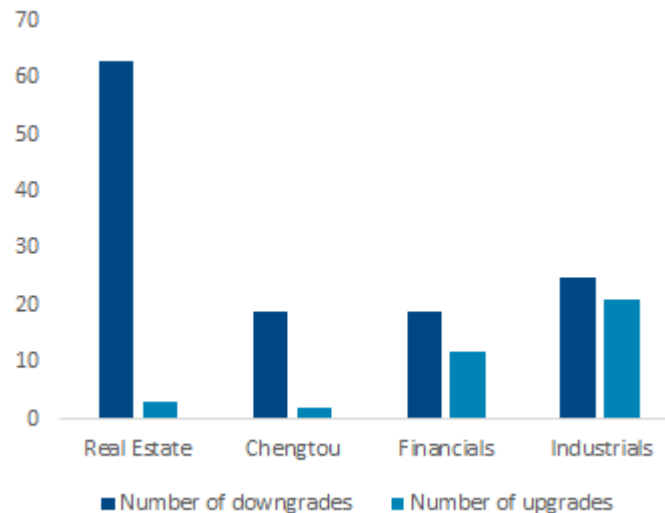
Source: CCXAP Research

Rating Actions and Credit Events

Negative rating actions still accounted for the majority of rating actions, and the real estate sector has been intensively downgraded. In 2023Q3, the three major international rating agencies took 171 rating actions, including 133 negative rating actions and 38 positive rating actions. Negative rating actions accounted for 77% of rating actions. Amid the economic downturn, the credit profiles of Chinese issuers continued to diverge. From the perspective of industry distribution, rating actions are mainly concentrated in the real estate industry, mainly due to default events or the weakening of operating and financial profiles. In the first three quarters of 2023, 63 real estate issuers had their ratings downgraded, with only Longfor Group, Hopson Development and Greentown China receiving positive ratings. The ratings of 19 companies in the financial sector were also downgraded. Due to the economic slowdown, intensified market volatility and lack of confidence in the real estate industry, the profits of the four major AMC's (Cinda, Oriental, Great Wall, Huarong) and some Chinese securities companies such as BOCOM International Securities Limited have fallen significantly, and their leverage ratios continued to be limited. There have also been frequent negative rating actions against Chengtou issuers, and the three major international rating agencies have adopted negative rating actions on Chengtou companies 19 times, mainly due to the reduced possibility of obtaining government support and the tightening of financing policies. These Enterprises were mainly located in provinces like Yunnan, Jilin, Ningxia and Shandong, where economic fundamentals were weak or local government support capabilities have declined. In addition, the performance of industrial companies was divergent, with 25 companies receiving negative rating actions and 21 companies receiving positive rating actions. Issuers receiving positive rating actions were mainly distributed in the raw materials, construction, and decoration industries, mainly due to changes in corporate debt structures. For these companies, their liquidity risks have reduced and their financial conditions have improved.

Exhibit 7: Rating actions and issuer rating changes in 2023Q3





Source: CCXAP Research

Real estate companies continue to be exposed to credit risks. In the first three quarters of 2023, 14 Chinese issuers defaulted on offshore bonds, with a total amount of USD7.7 billion, a sharp drop from the 2022Q3. The reasons for the default of these defaulting parties share some similarities, including weak real estate market and harsh financial environment, which led to the obstruction of financing channels and deterioration of liquidity, eventually resulting in default. In 2023Q3, the new defaulting issuers were concentrated in the real estate industry, with 7 issuers defaulted on their debts and 6 of which are real estate companies, namely Huijing Holdings, Ronshine China, Yincheng International, KWG, CCRE and Sino-Ocean.

Table 2: Credit events of Chinese issuers in offshore market since 2023 Q3

Enterprise	Defaulted events
Huijing Holdings	On January 20, Huijing Holdings Co., Ltd. ("Huijing Holdings" or the "Company") announced that it has not yet repaid the USD107,600,000 12.50% coupon senior notes due in 2023. In July 2022, Huijing Holdings completed an exchange offer for the 12.50% senior notes due 2022 (ISIN: XS2364281506); exchange for the above outstanding notes. The notes were issued pursuant to the exchange offer and the related indenture was executed on July 21, 2022. According to the contract, Huijing Holdings must pay the interest on this note on January 21, 2023 (i.e., the original interest payment date). As of the announcement date, the company does not expect to make these payments on the original interest payment date.
Ronshine China	On January 26, Ronshine China Holdings Limited Co Ltd ("Ronshine China") announced that the 8.95% senior notes due 2023 (ISIN XS2031469732) in the aggregate principal amount of USD413,000,000 issued by the Company and listed on the Singapore Exchange Securities Trading Limited matured on 22 January 2023. The principal amount and the accrued and unpaid interest total USD431,481,750 became due and payable. As of the date of this announcement, the Company has not made such payment.
Wuhan Dangdai	On March 23, Wuhan Dangdai Science & Technology Industries (Group) Company Limited ("Wuhan Dangdai") announced that subsidiary cannot make the payment of the principal and interest of DANDAI903/07/23 on time. The note is issued on behalf of Dangdai International Investment, and Wuhan Dangdai Technology Industry Group Co., Ltd. provided guarantee for the notes. All outstanding principals (\$200 million) and accrued interests would mature on March 7 2023. Considering liquidity status, the company would not make the payment, such event constitutes default under the above Notes and Securities.
Yincheng International	On March 17, Yincheng International Holding Co., Ltd ("Yincheng International") announced the termination of the Exchange Offer. All Existing Notes previously tendered and not withdrawn will be returned to their respective holders. The Existing Notes matured on 7 March 2023. As of the date of this announcement, the Company has not paid the principal and interest on the Existing Notes due and payable on the maturity date. Failure to make such payments constitutes an event of default under the above Notes and Securities.
KWG Group	On May 14, KWG issued an announcement stating that 15% of the principal amount of the company's 6.0% senior notes due in January 2024, together with its accrued and unpaid interest, was due and unpaid on the mandatory redemption date. The amount involved is about USD119 million, which has constituted a breach of contract. At the same time, the company failed to pay its principal of RMB212 million in accordance with the scheduled repayment dates for interest-bearing bank and other loans, triggering cross-defaults on eight senior notes and other loans.
CCRE	On June 23, CCRE Real Estate announced that CCRE Real Estate failed to pay interest on the 7.75% senior notes due in 2024 (ISIN: XS2262030369) before the end of the grace period on June 23, 2023. After careful consideration by the company, CCRE suspended payment to all overseas creditors to ensure fair treatment of all overseas creditors. Such failure to pay may result in demands for accelerated repayment and/or actions by the group's creditors in accordance with the corresponding terms of the relevant financing arrangements.

Sino Ocean	On August 14, Sino-Ocean Group announced that at the request of the issuer Sino-Ocean Real Estate Treasury I Co., Ltd., it had not paid on or before August 13, 2023 (the last day of the 14-day grace period for interest payments). The interest on the note (USD20.94 million) during the interest period from January 30, 2023 to July 30, 2023 caused an event of default on the note, so the trading will be suspended on the Hong Kong Stock Exchange on August 14, 2023.
Enterprise	Credit events
Time China	On November 7, Times China Holdings Co., Ltd. ("Times China Holdings") announced that in order to promote the overall management of offshore debt, the company will suspend payments on six overseas US dollar-denominated senior notes. As of the announcement date, Times China Holdings has not paid the relevant interest on the 6.6% senior notes due in 2023 and the 5.55% senior notes due in 2024. The grace periods for these senior notes are on December 30, 2022 and 2022 respectively. Expires January 3, 2023.
Sino Ocean	On March 21, according to Bloomberg, Sino-Ocean Group has told some holders of its bonds that it will not pay the postponed interest payment in order to preserve cash. According to the relevant bond issuance documents, under certain conditions, Sino-Ocean Group can decide on its own to postpone the interest payment time. This interest due on the \$600 million 6.876% perpetual debt is \$20.6 million. On March 29, Sino-Ocean Group has made the coupon payment originally due March 21 under its \$600 million 6.876% perpetual securities.
Country Garden	On August 8, according to Bloomberg, Country Garden's offshore bond holders have not yet received COGARD 4.2 02/06/26 and COGARD 4.8 08/06/30's payment due on August 7th. According to the offering circular, the interest payable for the notes due in 2026 for was USD10.5 million, and the interest payable on the notes due in 2030 was USD12 million, both of which include 30 days' grace period for interest payments. On September 19, according to Bloomberg, Country Garden's offshore bond holders have not yet received the coupon payment for COGARD 6.15 09/17/25 on September 18. Another source quoted saying that as of this morning, the company had not made the payment. According to the offering circular, the bond should pay interest both in March and September each year, including a 30-days' grace period. Since September 17th was on a weekend, the interest payment date had been postponed to September 18th.

Source: Public information, CCXAP Research

Outlook

Affected by rising energy prices and housing costs, US prices continue to rise. The US consumer price index rose 3.7% YoY in September, rebounding for the third consecutive month. Continued high inflation will strengthen the Federal Reserve's policy tendency to maintain high interest rates, leading to a decrease in the willingness to issue offshore US dollar bonds. In addition, the US dollar financing costs are high, and there are fewer investors in other offshore currencies such as Euro and Yen, and their issuance scale is limited. It is expected that the Chinese offshore bond issuance will decrease this year. However, in the context of tightening of bond policies in the free trade zones and the inversion of treasury rates between China and the United States, the issuance of dim sum bonds may usher in a wave of rise in the short term.

Affected by less-than-expected economic growth, downturn of the real estate industry, and weak land market, some local governments are under great financial pressure, resulting in delayed project payments. In addition, Chengtou companies have insufficient endogenous cash flow and limited financing channels, resulting in the weakening of the ability of poor-quality Chengtou companies to repay debt principal and interest. The rollover risk of Chengtou debt deserves attention. In addition, credit events such as non-standard defaults, overdue commercial bills, and technical defaults in Chengtou companies are becoming increasingly common. We need to pay attention to the evolution of the regional financing environment with weakening fiscal conditions and prominent debt burdens and be wary of negative events that worsen the regional financing environment that spread to enterprises in other regions.

Although there are more domestic real estate policies this year, it still takes time for the policy effects to appear. The current real estate industry is still in the process of bottoming out, and subsequent recovery remains to be seen. In the short term, we still need to pay attention to the possibility of bond defaults or extension of real estate companies with high-debt burden, as well as the risk of overdue offshore debt triggering cross-default of domestic bonds. At the same time, as highly leveraged enterprises, real estate companies have absorbed a large amount of financial resources. The deterioration of their capital chains will directly lead to an increase in bank non-performing loans and also increase the possibility real estate industry risks being transmitted to the financial system.

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China Chengxin (Asia Pacific) Credit Ratings Company Limited

Address: Suites 1904-1909, 19/F, Jardine House,
1 Connaught Place, Central, Hong Kong
Website: www.ccxap.com
Email: info@ccxap.com
Tel: +852 2860 7111
Fax: +852 2868 0656