

**Lianhe Global “Chinese Offshore USD Bond Market 2022 Mid-Year Review and Outlook” English Webinar Was Successfully Held Virtually**

On 28 July 2022, Lianhe Ratings Global Limited (“Lianhe Global”) hosted the “Chinese Offshore USD Bond Market 2022 Mid-Year Review and Outlook” webinar in English successfully. In this 1.5-hour webinar, Dr. Jenny Ai, the Vice Chairman of the Board of Lianhe Global, Mr. Alex Kung, the Head of Corporate Ratings of Lianhe Global, Mr. Ben Yau, the Head of LGFV Ratings of Lianhe Global, Mr. Toni Ho, the director of Lianhe Global, and Ms. Joyce Chi, the Head of Business Development of Lianhe Global (as the moderator), participated in a theme presentation and a Q&A session on: 1) The recent announcement of the People’s Bank of China (“PBOC”) to encourage Chinese offshore issuers to use Chinese ratings agencies; 2) Review and outlook of the Chinese LGFV sector; and 3) Review and outlook of the China real estate sector. This webinar was held via the Tencent Meeting and Wind 3C platform, attracting 169 market participants.

Dr. Jenny Ai started the webinar with an opening speech. Dr. Ai pointed out that given the challenging international operating environment and resurgence of COVID-19 pandemic, many Chinese government’s proactive policies have been put in place since the beginning of 2022 to stabilize the economy. She commented that the current real estate predicament would not evolve into a national systemic risk and could be resolved when contracted sales recovered. When it came to the PBOC announcement on Chinese rating agencies (for details, please read our press release “PBOC Encourages Chinese Issuers to Issue Offshore Bonds with a Chinese International Rating Agency” published on July 15, 2022), she highlighted the benefits of using dual or multiple ratings. Mr. Alex Kung further explained how the ratings assigned by Lianhe Global would act as a gateway to China’s massive bond market, now the second largest in the world.

Mr. Ben Yau firstly shared the trend on China offshore bonds and particularly LGFV bond new issuance, and on the China economy, in 1H2022. Mr. Ben Yau observed that the LGFVs’ offshore bond issuance growth slowed down in 1H2022 due to the increasing financing cost and tightening policies in the market. He believed that the growing diversity of LGFV business models, including financial holdings platforms, industrial investment platforms, energy investment platforms, will increase their participation in the offshore issuance. In the near term, he expects an intensifying credit polarisation among different LGFVs. There would unlikely be significant loosening in the policy tone towards LGFVs but minor adjustments can be expected. The government’s initiative to promote infrastructure investments and the use and issuance of special purpose bonds will continue to provide some fundamental support to quality LGFVs.

Given the investors’ confidence hit by exchange offers and defaults in the Chinese real estate sector, Mr. Toni Ho saw a weak demand for the offshore new issuance of the sector, which dropped by almost 80% year-on-year in 1H2022. He concluded that property developers faced heightened liquidity pressure due to their declining contracted sales and narrowed financing channels. He expected that the liquidity issue would remain in 2H2022 and hence the government may provide some policy loosening on the financing front to support the property

project completions. Even with the policy relaxation in some individual cities and banks to support contracted sales, he remained cautious on whether a meaningful recovery would happen in 2H2022. Regarding the recent homebuyers' mortgage boycott, he believes the central government would try to prevent the risk from escalating and trigger a downward spiral in the industry, which would threaten the financial stability in China.

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