

# 2025 China Offshore Bond Market Report



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## China offshore bond market remained stable, yet refinancing risks for weak county-level platforms warrant attention

### China offshore bond market review in 2025

- **The issuance scale of new Chinese offshore bonds continued to grow, but net financing remained negative.** In 2025, China offshore bond market achieved further recovery under the combined effects of an improved macro environment and rigid refinancing demand. Chinese entities issued a total of 1,306 offshore bonds, up 15.0% YoY, with issuance amounting to USD135.26 billion, up 13.1% YoY. The full-year net financing scale was USD-48.47 billion, marking the fourth consecutive year of net outflows.
- **Offshore bond issuance in all non-Chengtou sectors recorded YoY growth.** Offshore bonds issued by financial institutions totaled USD57.23 billion, up 13.0% YoY; industrial offshore bonds reached USD28.27 billion, up 63.4% YoY; real estate bonds saw the largest increase due to the low base last year, with issuance volume reaching USD3.44 billion; offshore bonds issued by Chengtou amounted to USD46.32 billion, down 9.5% YoY, and net financing turning negative for the first time.
- **Chinese offshore bond issuance was primarily denominated in USD, while offshore RMB bond issuance saw a slight decline.** In 2025, USD bond issuance reached USD89.64 billion, up 17.4% YoY, accounting for 66.3% of total issuance; offshore RMB bond issuance amounted to USD38.40 billion, down 0.4% YoY, with its share falling to 28.4%.
- **Direct issuance accounted for over half of Chinese offshore bond issuance, coupon rates for Chinese offshore bonds trended downward.** In 2025, direct issuance and guaranteed issuance amounted to USD75.61 billion and USD47.46 billion, representing 55.9% and 35.1% of total issuance, respectively. Driven by rising market expectations of Fed rate cuts and the actual implementation of cuts in 2025H2, the average coupon rate of Chinese offshore bonds declined to 4.97%.
- **Investment-grade issuance expanded significantly, while the international influence of Chinese rating agencies continued to grow.** Investment-grade issuance expanded significantly, while the international influence of Chinese rating agencies continued to strengthen. In 2025, a total of 157 Chinese offshore bond issuers obtained ratings from the three major international rating agencies, including 146 investment-grade issuers with issuance of USD91.32 billion and 11 high-yield issuers with issuance of USD4.12 billion. Meanwhile, 113 issuers obtained ratings from the three major Chinese rating agencies, with issuance totaling USD24.09 billion, up 122.3% YoY.
- **The secondary market for Chinese-funded offshore bonds generally trended upward in 2025, with non-financial sectors performing best.** Although returns declined somewhat in the second half of the year, the overall return remained positive for the year. As of December 31, 2025, the total return index for Chinese-funded offshore bonds was 6.86%, with investment-grade bonds yielding 8.83% and high-yield bonds yielding 6.73%. By sector, non-financial offshore bonds performed best, with an annual return of 7.66%.
- **Negative rating actions continued throughout the year, primarily concentrated on industrial issuers.** In 2025, the three major international rating agencies took rating actions against 275 Chinese issuers, including 150 negative actions and 125 positive actions, with negative actions accounting for 55%. By industry, rating actions were mainly concentrated on industrial issuers,

with 85 industrial issuers downgraded in 2025, while only 36 received positive rating actions. This was mainly due to the direct impact of the downgrade of China's sovereign credit rating and the influence of industry fundamentals.

## Outlook

- Looking ahead to 2026, the financing costs of USD bonds are expected to decline, potentially leading to a rebound in the issuance of Chinese offshore USD bonds. Furthermore, the low cost of RMB financing is boosting global investor demand for RMB assets. Coupled with the accelerated internationalization of the RMB and improved cross-border financing capabilities, the issuance of Dim Sum bonds is expected to grow steadily, with a more diversified issuer structure. In terms of investment, the expansion of the Southbound Connect program, including non-bank financial institutions such as securities firms, insurance companies, wealth management companies, and asset management companies, is expected to further diversify the investor structure, which is conducive to the long-term stable development of the offshore bond market.
- Since 2025, regulatory policies on offshore bonds issued by Chengtou have continued to tighten, particularly for weaker-credit Chengtou platforms at the district and county levels, whose offshore bond financing channels may be significantly hampered. The mining and manufacturing sectors are not only the main drivers of financing for "going global" and industrial upgrading, but also meet the current regulatory policy of guiding funds towards high-quality real economy production enterprises. They are expected to become key growth sectors for industrial offshore bonds in the future. In addition, current national policies also support high-quality private enterprises to issue bonds, and the scale of offshore bonds issued by private enterprises is expected to increase in the future.

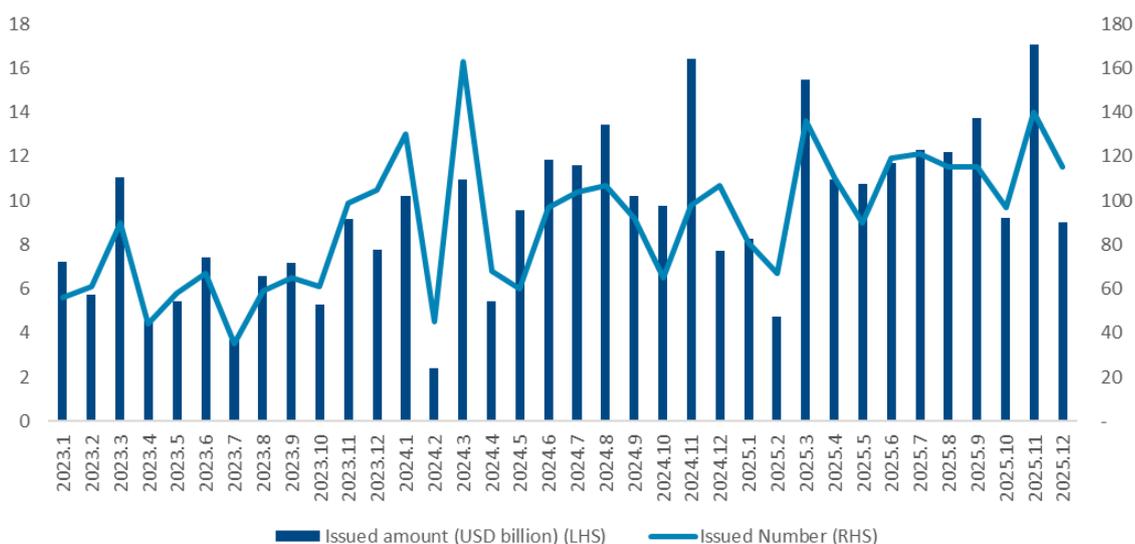
## China offshore bond market review

### Primary market

**The issuance scale of new Chinese offshore bonds continued to grow, but net financing remained negative.** In 2025, China offshore bond market achieved further recovery under the combined effects of an improved macro environment and rigid refinancing demand. 414 Chinese entities issued a total of 1,306 offshore bonds, up 15.0% YoY, with issuance amounting to USD135.26 billion, up 13.1% YoY. Despite the continued rebound in issuance activity, the overall scale remained significantly below the highs of 2020–2021. In terms of issuance pace, the issuance amount in 2025H2 (USD73.43 billion) exceeded that in 2025H1 (USD61.83 billion), though YoY growth slowed due to the high base in 2024H2. The growth in Chinese offshore bond issuance was mainly driven by refinancing, and under the backdrop of continued prudence in regulatory policy and pronounced maturity repayment pressure, new financing momentum remained insufficient. The full-year net financing scale was USD–48.47 billion, marking the fourth consecutive year of net outflows.

**Overall, the issuance of Chinese offshore bonds in 2025 showed a differentiated but generally positive trend across months.** On a monthly basis, issuance in eight months exceeded that of 2024, while four months recorded declines. Affected by the Chinese New Year holiday early in the year, issuance in February surged by 97.3% YoY to US\$4.73 billion, reflecting a significant low base effect; in contrast, January fell by 19.2% YoY due to adjustments in issuance pace. In March and April, driven by concentrated issuance from some Chengtuo ahead of bond approval expirations, issuance reached USD15.48 billion and USD10.95 billion respectively, with April recording a YoY increase of 101.8%, the highest growth rate of the year. The annual issuance peak occurred in November, with issuance amounting to USD17.04 billion, reflecting the combined effect of expanded issuance by industrial companies and concentrated year-end refinancing. Meanwhile, issuance in June, August, and October declined by 1.5%, 9.4%, and 5.5% YoY, highlighting the impact of reduced Chengtuo issuance, high base effects from the previous year, and differences in issuance pace among individual issuers.

**Figure 1: Amount and number of Chinese offshore bonds issued (2023–2025)**



Source: CCXAP research

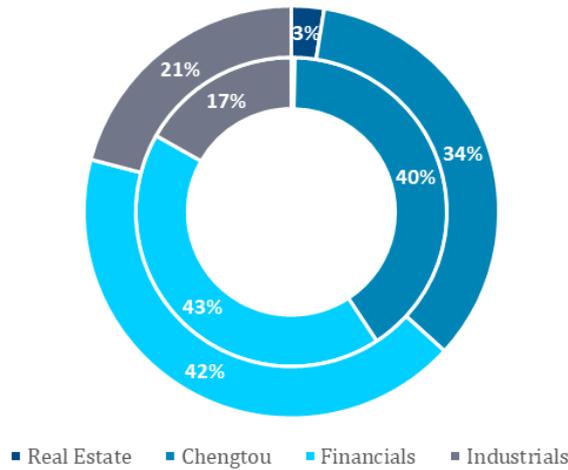
**Offshore bond issuance in all non-Chengtuo sectors recorded YoY growth.** By industry classification, financials, Chengtuo, industrials, and real estate accounted for 42.3%, 34.2%, 20.9%, and 2.5% of total

issuance in 2025, respectively. Driven by expectations of Federal Reserve (Fed) rate cuts and optimizations to the Bond Connect mechanism, offshore bond issuance by financial institutions reached USD57.23 billion, up 13.0% YoY. Policies encouraged high-quality industrial companies to raise funds offshore, with issuance of Dim Sum bonds increasing significantly. Industrial company issuance amounted to USD28.27 billion, up 63.4% YoY. In the real estate sector, USD-denominated bonds saw a breakthrough in 2025, as developers such as China Resources Land and Greentown China returned to the market after several years. Property developers issued a total of USD3.44 billion (excluding exchange offers and restructuring bonds), representing a sharp 672.5% YoY increase due to the low base last year. Meanwhile, regulatory tightening further constrained offshore bond financing by Chengtou, with issuance falling to USD46.32 billion, down 9.5% YoY, and net financing turning negative for the first time at USD−2.25 billion.

**Chengtou offshore bond financing policies continued to tighten, with issuance primarily driven by refinancing.** In 2025, the Chengtou sector maintained a strict regulatory tone. Window guidance in October further strengthened risk prevention and control over local government debt, strictly limiting new financing and allowing Chengtou issuers to borrow offshore only for refinancing purposes. At the same time, Chengtou free trade zone (FTZ) bonds could only be repaid using internal funds, as refinancing approvals were no longer granted. Although the People's Bank of China (PBOC) announced the resumption of FTZ bonds in June, the "two ends outside" principle meant that Chengtou issuers still faced significant challenges in returning to this market. In this context, issuance pace diverged between the first and second halves of the year. In 2025H1, many Chengtou issuers front-loaded issuance before their quotas expired, pushing issuance to USD27.31 billion, up 17.7% YoY; March alone recorded USD7.36 billion, the highest monthly issuance by Chengtou in nearly five years. In 2025H2, issuance was mainly refinancing-driven, with limited incremental supply, issuance fell to USD19.01 billion, down 24.2% YoY. By region, Chengtou offshore bonds were primarily issued in economically robust provinces with stable refinancing needs. The top three provinces by issuance amount were Shandong, Jiangsu, and Sichuan, accounting for 21.1%, 15.2%, and 11.7% of total Chengtou issuance, respectively. Overall, under the current policy environment of strict control over local government debt risks, Chengtou offshore bonds have entered a stage focused on outstanding debt management, and the ability to obtain new financing quotas will depend on whether issuers can achieve substantive transformation and compliance-oriented restructuring.

**Driven by policy support and endogenous demand, the industrial sector has emerged as a key force behind the growth and structural optimization of China offshore bond market.** In terms of issuer composition, technology and internet companies dominated financing volumes, with Meituan, Alibaba, Baidu, and Tencent together accounting for 38.5% of total industrials issuance, reflecting the funding needs of technology firms for R&D investment, global expansion, and digital infrastructure development. At the same time, major energy SOEs such as State Grid Corporation of China and State Power Investment Corporation, as well as mining leaders including China Minmetals and China Hongqiao, also issued sizable amounts, reflecting the reliance of traditional industries on long-term capital for upgrading and green transition. Amid ongoing regulatory encouragement for high-quality enterprises to engage in cross-border financing, industrial issuers overall demonstrated strong credit quality and high market acceptance. Their financing was largely directed toward long-term capital expenditure, resulting in an average tenor of 5.31 years, significantly higher than the market average of 2.10 years, thereby contributing to an improved maturity structure in the offshore bond market.

Figure 2: Industry distribution of Chinese offshore bonds in 2024 and 2025



Inner Circle is the statistics of 2024; Outer Circle is the statistics of 2025

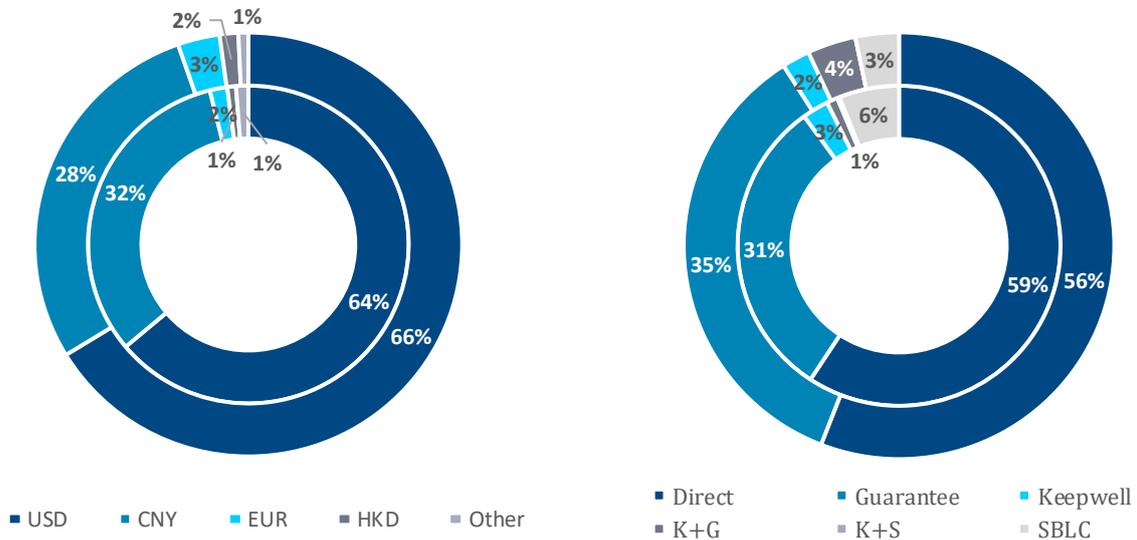
Source: CCXAP research

**Chinese offshore bond issuance was primarily denominated in USD, while offshore RMB bond issuance saw a slight decline.** In 2025, USD bond issuance reached USD89.64 billion, up 17.4% YoY, accounting for 66.3% of total issuance; offshore RMB bond issuance amounted to USD38.40 billion, down 0.4% YoY, with its share falling to 28.4%. This shift was primarily attributed to regulatory measures introduced in late 2024, which halted the practice of investing in Chengtou Dim Sum bonds via cross-border total return swaps (TRS). Coupled with the “only reduction, no increase” principle applied to approvals for outstanding Chengtou offshore bonds, both demand and supply in the Dim Sum bond market were constrained. Consequently, Chengtou issuers increasingly turned to USD financing, leading to a significant structural shift. USD bond issuance rose from USD22.67 billion in 2024 to USD28.78 billion in 2025, with its share climbing from 46.9% to 62.1%, while Dim Sum bonds fell from 50.4% to 33.5%. Despite the contraction in Chengtou Dim Sum bonds, supported by the expansion of the Southbound Bond Connect and improved offshore RMB liquidity in 2025H2, issuance by financial institutions and high-quality industrial companies increased. This partially offset the decline in Chengtou issuance, leading to only a modest overall contraction in total Dim Sum bond volume for the year. In other currencies, euro-denominated bonds surged, with issuance reaching USD4.30 billion, up 104.6% YoY, as substantial rate cuts by the European Central Bank created a relative advantage in funding costs.

**Direct issuance accounted for over half of Chinese offshore bond issuance, while the share of guaranteed issuance increased.** In 2025, direct issuance and guaranteed issuance amounted to USD75.61 billion and USD47.46 billion, representing 55.9% and 35.1% of total issuance, respectively. The share of direct issuance declined slightly, while guaranteed issuance rose modestly. As regulators tighten eligibility reviews for issuers, companies face restrictions in using credit enhancement measures to compensate for weaker credit profiles and provide bond repayment assurance. Specifically, regulatory tightening on issuance via standby letters of credit (SBLC) led to a continued decline in SBLC issuance, with only 47 bonds issued throughout the year, totaling USD4.41 billion, accounting for 3.3% of total issuance. These were primarily issued by district- and county-level Chengtou enterprises. With SBLC issuance constrained, some companies turned to guarantee firms or keepwell deeds for credit enhancement. In 2025, Chinese enterprises issued 93 bonds through 16

guarantee and credit enhancement companies, with a total scale of USD6.50 billion. Meanwhile, offshore bonds issued under keepwell deeds totaled USD2.83 billion, representing 2.1% of total issuance.

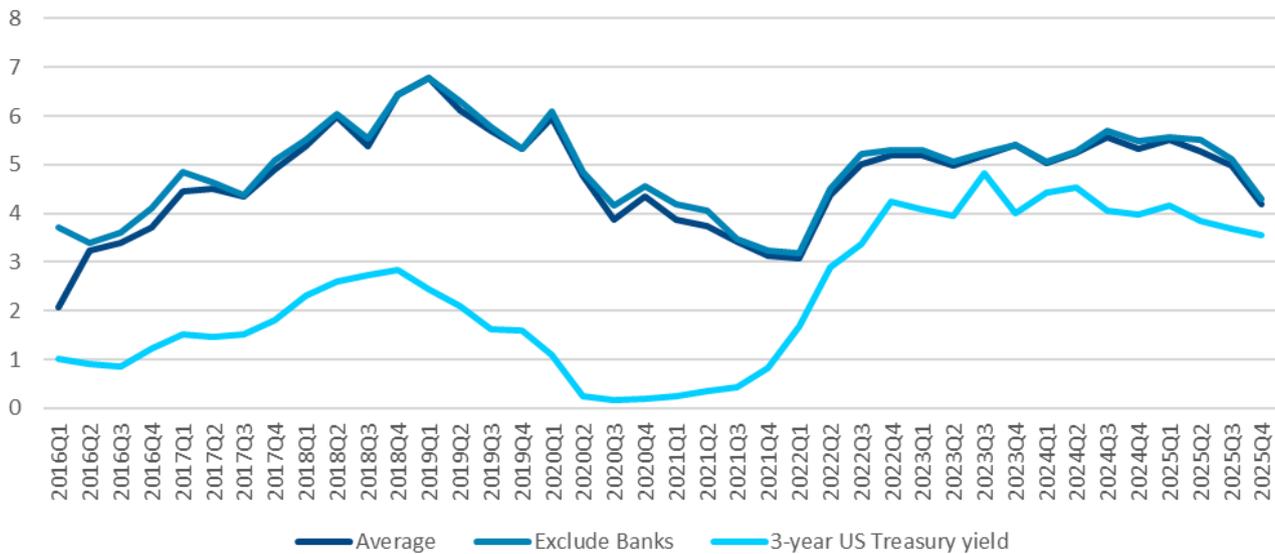
**Figure 3: Issuance structure and currency distribution of Chinese offshore bonds in 2024 and 2025**



Inner Circle is the statistics of 2024; Outer Circle is the statistics of 2025

Source: CCXAP research

**Coupon rates for Chinese offshore bonds trended downward.** In 2025, the Fed adopted a “tight first, then steady” approach, keeping the federal funds target range at a high level of 4.25%–4.50% for most of the year. As inflationary pressures eased and employment growth slowed, the Fed implemented three consecutive 25-basis-point rate cuts starting in September, ultimately lowering the rate range to 3.50%–3.75%, a near three-year low. Meanwhile, China’s Loan Prime Rate (LPR) was also reduced by 10 basis points during the year, with the 1-year and over-5-year LPR falling to 3.00% and 3.50%, respectively. Over the same period, the yield spread between 10-year US and Chinese government bonds narrowed by 57.4 basis points, from 289.4 bp at the start of the year to 232.0bp by year-end, showing a clear narrowing trend. Against this backdrop, the average coupon rate of Chinese offshore bonds declined to 4.97% in 2025. Although the Fed did not cut rates in 2025H1, rising market expectations had already driven coupon rates down sequentially. The decline accelerated after rate cuts were implemented, with the average coupon dropping to 4.20% in Q4, the lowest level since 2022Q2. By sector, average coupon rates for real estate, Chengtou, financial, and industrial bonds were 6.34%, 5.83%, 4.09%, and 5.28%, respectively.

**Figure 4: Average coupon rates of Chinese offshore bonds issued from 2016Q1 to 2025Q4**


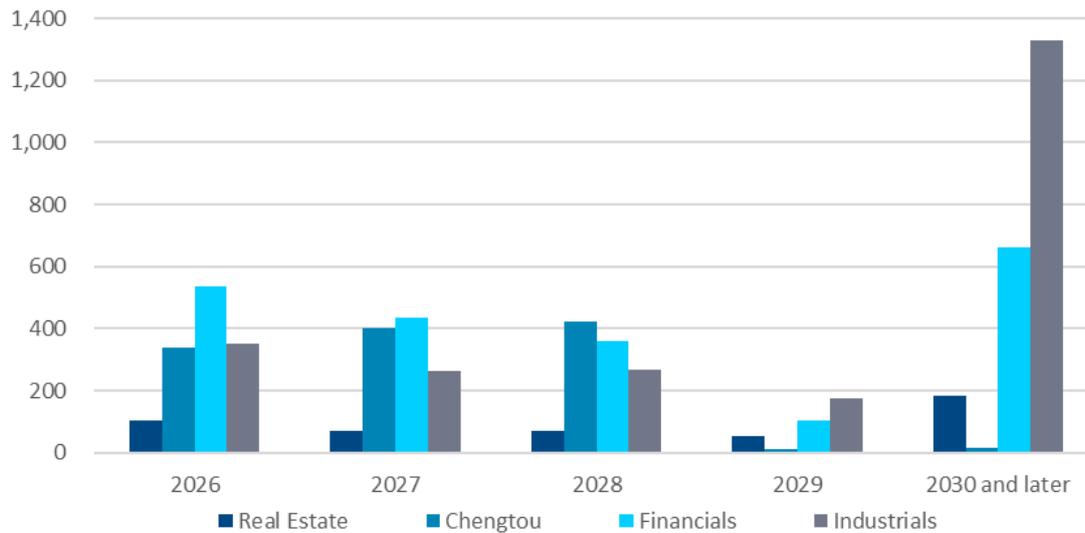
Source: CCXAP research

**Investment-grade issuance expanded significantly, while the international influence of Chinese rating agencies continued to grow.** In 2025, a total of 157 Chinese offshore bond issuers obtained ratings from the three major international rating agencies<sup>1</sup>, including 146 investment-grade issuers and 11 high-yield issuers. Investment-grade issuers collectively raised USD91.32 billion, up 35.8% YoY. Investment-grade issuance was dominated by financial institutions, with financials, industrials, and Chengtou accounting for 55.2%, 25.2%, and 17.0% of investment-grade issuance. The high-yield segment rebounded, with issuance reaching USD4.12 billion in 2025, compared with USD1.07 billion in the prior year, driven mainly by the resumption of real estate bonds and increased issuance by industrial entities. Meanwhile, the influence of Chinese rating agencies continued to grow. In 2025, 113 Chinese offshore bond issuers obtained ratings from the three major Chinese rating agencies, with issuance totaling USD24.09 billion, up 122.3% YoY, demonstrating the increasingly prominent role of Chinese ratings in supporting offshore issuance.

**Outstanding Chinese offshore bonds were dominated by industrial companies and financial institutions, with over half maturing within the next three years.** As of 31 December 2025, the outstanding amount of Chinese offshore bonds totaled USD616.04 billion. Of this, maturities in 2026, 2027, and 2028 amounted to USD133.37 billion, USD117.10 billion, and USD111.78 billion, respectively, together accounting for 58.8% of the total outstanding amount. By sector, outstanding bonds from industrial enterprises, financial institutions, Chengtou, and property developers represent 38.8%, 34.1%, 19.3%, and 7.8% of the total, with notable differences in maturity profiles across sectors. Specifically, industrial issuers had relatively longer tenors, with maturities of USD34.99 billion, USD26.43 billion, and USD26.93 billion over the next three years, representing 37.0% of their total outstanding amount. Financial institutions faced a maturity peak in 2026–2027, with maturities of USD53.69 billion, USD43.67 billion, and USD35.91 billion, accounting for 63.4% of their total. Chengtou bonds showed the most concentrated maturity profile, with maturities over the next three years totaling USD34.10 billion, USD40.17 billion, and USD42.09 billion, representing as much as 97.8% of their total outstanding amount.

<sup>1</sup> Based on data at the time of issuance, when ratings from the three major international agencies differed, the highest rating was used for statistical purposes.

Figure 5: Maturity distribution of outstanding Chinese offshore bonds as of end-2025



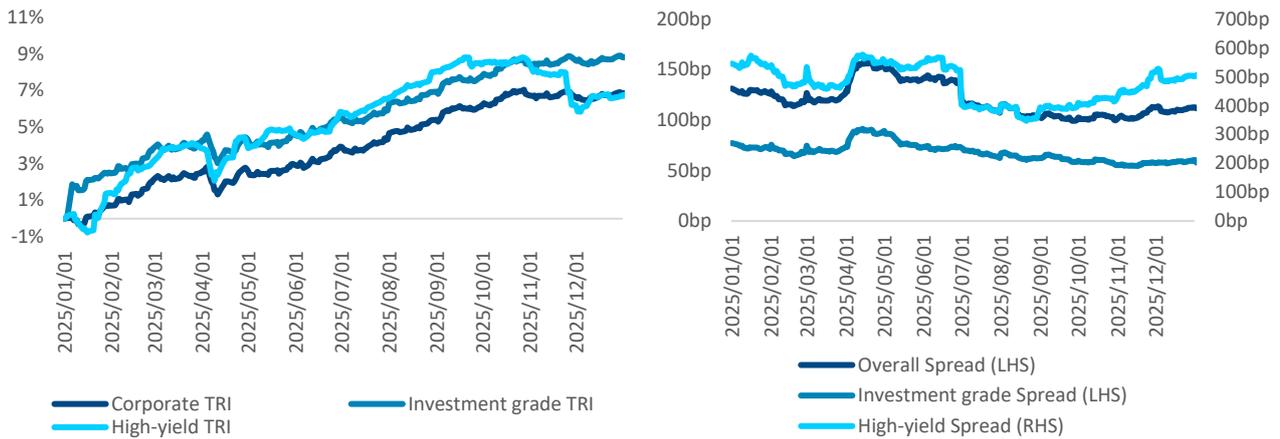
Source: CCXAP research

## Secondary market

**In 2025, the secondary market for Chinese offshore bonds exhibited an upward trend.** During the first half of the year, the property sector experienced a significant rebound, which supported gains in the high-yield segment. This was driven by the central government's continued fiscal stimulus and pro-growth policies, as well as supportive measures following the Vanke credit event. Amid expectations of Federal Reserve rate cuts, both high-yield and investment-grade Chinese bonds advanced steadily in the secondary market. The second half of the year introduced greater volatility, primarily due to moderating domestic economic growth, escalating concerns over structural debt, global liquidity tightening as Federal Reserve rate reductions fell short of expectations, cross-border spillovers from currency fluctuations, and an increase in bond supply that exceeded demand. The high-yield index declined further in November and December, largely attributable to the intensification of the Vanke debt crisis—including substantial drops in bond prices, the rejection of its repayment extension proposal, and multiple near-default incidents—which heightened risk aversion toward high-yield property bonds. Despite the retreat in the second half, full-year returns remained positive. As of 31 December 2025, the total return index for Chinese offshore bonds stood at 6.86%, with investment-grade bonds at 8.83% and high-yield bonds at 6.73%.

Regarding spreads, as of 31 December 2025, spreads on Chinese offshore bonds had narrowed by 18.5 bps from the beginning of the year, closing at 112.8 bps. Investment-grade spreads tightened by 16.7 bps to 60.4 bps, while high-yield spreads contracted by 43.9 bps to 502.3 bps.

Figure 6: 2025 Market iBoxx Chinese Offshore Bond Returns and Bloomberg Barclays China USD Bond Spreads



Source: CCXAP research

**Overall, returns on Chinese offshore bonds recovered, with the non-financial sector achieving the strongest performance.** By sector, non-financial offshore bonds recorded the highest full-year return at 7.66%, followed by property at 6.61%, Chengtou at 6.25%, and financials at 6.13%. In the real estate sector, 2025H1 featured notable valuation adjustments and sectoral improvement, propelled by accelerated credit risk resolution and central policies aimed at ensuring project completion and reducing excess property inventory, thereby enhancing investor confidence. However, volatility increased in 2025H2, resulting in a -4.32% decline in the fourth quarter. This was due to persistent structural debt concerns and the Vanke debt crisis, which exposed the sector's vulnerabilities and amplified credit risk aversion, leading to a downturn in the high-yield segment. The Chengtou sector maintained consistent positive returns throughout the year, supported by enhanced debt resolution policies that alleviated short-term repayment pressures and bolstered investor confidence in offshore Chengtou bonds, although momentum moderated 2025H2. The non-financial sector registered relatively modest gains, constrained by a sluggish recovery in aggregate demand. Nevertheless, it benefited from expectations of Federal Reserve rate cuts and increased allocations from onshore funds via the Southbound Bond Connect, facilitating steady issuance and positive returns 2025H2. Within the non-financial sector, the high-yield subcategory performed notably well, delivering a full-year return of 12.89%.

**Table 1: 2025 Returns on Chinese Offshore Bonds by Sector**

Markit iBoxx Chinese Offshore Bond Return Index	Q1	Q2	Q3	Q4	Full Year
<b>Property TRI</b>	6.50%	1.56%	3.00%	-4.32%	6.61%
- Investment Grade TRI	3.32%	1.17%	2.59%	0.97%	8.67%
- High-Yield TRI	7.96%	1.71%	3.19%	-6.97%	5.28%
<b>Financials TRI</b>	2.28%	1.28%	1.82%	0.53%	6.13%
- Investment Grade TRI	1.89%	1.24%	1.69%	1.15%	6.23%
- High-Yield TRI	3.62%	1.42%	2.27%	-1.67%	5.71%
<b>Non-Financials TRI</b>	2.73%	0.87%	2.68%	0.64%	7.66%
- Investment Grade TRI	2.62%	0.85%	2.63%	0.70%	7.42%
- High-Yield TRI	5.56%	1.36%	3.67%	-0.98%	12.89%
<b>Chengtou TRI</b>	1.72%	1.26%	1.75%	1.28%	6.25%
- Investment Grade TRI	1.58%	1.20%	1.69%	1.27%	5.97%
- High-Yield TRI	2.42%	1.57%	2.30%	1.39%	8.02%

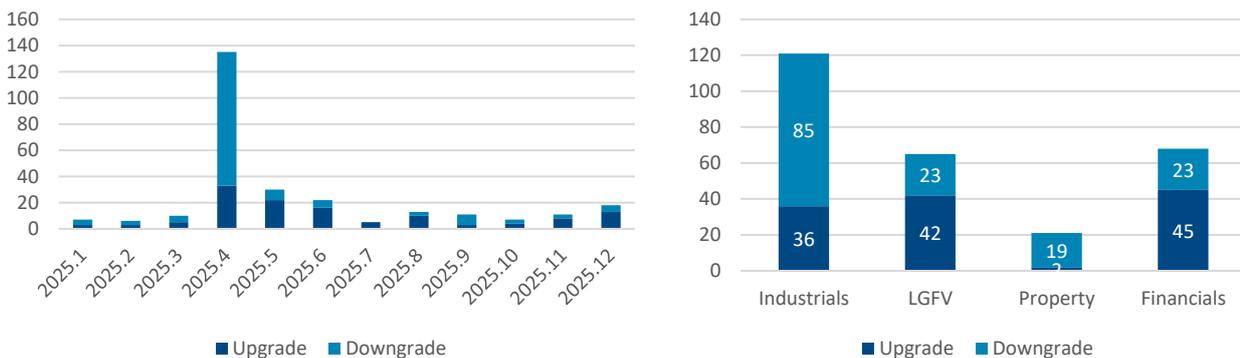
Source: CCXAP research

## Rating Actions and Credit Events

**Negative rating actions continued throughout the year, predominantly concentrated among corporate issuers.** In 2025, the three major international rating agencies issued actions on 275 Chinese issuers, comprising 150 downgrades and 125 upgrades, with downgrades representing 55% of the total. This imbalance was primarily triggered by Fitch's downgrade of China's sovereign credit rating from A+ to A in April 2025, which prompted a series of downgrades for numerous prominent Chinese entities. Corporate issuers experienced the highest frequency of actions, with 85 downgrades compared to only 36 positive actions. The most pronounced downgrades occurred in sectors such as energy and chemicals, and infrastructure and construction. Entities in these sectors were affected by the spillover from the sovereign rating downgrade, compounded by inherent industry pressures, positioning them as focal points for negative corporate rating actions. The property sector remained under strain, with downgrades (19 times) significantly outnumbering upgrades (2 times), reflecting sustained elevated credit risks amid policy adjustments and market purification. In the financial and Chengtou sectors, 23 entities each faced negative actions, mainly attributable to the revision of China's sovereign rating outlook and perceived weakening of regional government support for associated financing platforms. For the full year, however, both the financial and Chengtou sectors recorded more positive than negative actions. The financial sector saw 45 positive actions, driven largely by improvements in individual credit fundamentals and rating affirmations following sovereign adjustments for certain entities. The Chengtou sector registered 42 positive actions, concentrated in regions such as Guangxi, Shandong, and Guangdong, indicative of reinforced local government debt support mechanisms and enhancements in the platforms' credit profiles.

The annual pattern of rating actions was characterized by initial tightening, subsequent easing, and sectoral divergences. Following Fitch's sovereign downgrade in April, a concentrated wave of downgrades ensued, impacting numerous state-owned enterprises, financial institutions, and Chengtou platforms. Negative actions then diminished substantially, with agencies increasingly utilizing outlook adjustments to convey their assessments. The property sector was an outlier, experiencing negative actions consistently throughout the year, underscoring the persistence of its credit risks.

**Figure 7: Monthly Trend and Sector Distribution of Rating Actions in 2025 (Unit: Number of actions)**



Source: CCXAP research

**Risks for Chinese offshore bond issuers have largely been resolved, with the default trend showing moderation.** Nevertheless, certain property developers encountered credit events in 2025, indicating that debt pressures persist amid a subdued property market, and comprehensive risk resolution across the industry remains in progress.

**Table 2: Major Defaults and Credit Events in the Offshore Market by Chinese Issuers in 2025**

Issuer Name	Credit Event
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LVGEM China	<p>On the evening of February 2, LVGEM China announced that on January 4, 2024, its wholly-owned subsidiary, Bixi, issued: 1) secured commercial papers due 2025 with an 8% coupon and an aggregate principal of US\$5.278 million; 2) secured commercial papers due 2025 with an 8% coupon and an aggregate principal of HK\$114.47 million; and 3) secured commercial papers due 2025 with an 8% coupon and an aggregate principal of RMB 40.5 million. Bixi failed to redeem these commercial papers on the maturity date, January 2, 2025, in accordance with their terms and conditions.</p>
Hong Yang Group Company Limited	<p>On February 24, Hong Seng Co., Ltd. (a subsidiary of Hong Yang Group) announced regarding the US\$226.65 million senior secured bonds HONGSL 5 08/19/29 (ISIN: XS2697849979 / XS2697959992) issued by the Company. The announcement stated that the issuer failed to pay the full amount of deferred principal and interest due on February 19, 2025, for these bonds. The failure to pay the deferred principal constitutes an event of default under the bonds, while the failure to pay interest will constitute an event of default after the expiry of the grace period (March 21, 2025).</p>
Vanke	<p>On the night of November 26, Shanghai Pudong Development Bank, acting as the convener, announced on NAFMII's official website a proposal to convene a meeting for holders of the "22 Vanke MTN004" bond to discuss extension matters. The bond, with an outstanding balance of RMB 2 billion, a coupon rate of 3%, was originally due for principal repayment on December 15, 2025. This news swiftly triggered significant volatility in the capital markets. Subsequently, Vanke gradually proceeded with extension negotiations for several of its onshore bonds.</p> <p>On January 27, 2026, Vanke's extension plans for three onshore bonds totaling RMB 6.8 billion were approved, adopting a combination plan involving "partial cash repayment + staged extension + asset collateral enhancement." Concurrently, its major shareholder, Shenzhen Metro Group, provided RMB 2.36 billion in shareholder loan support. This temporarily alleviated the pressure from RMB 6.5 billion in debt maturing in Q2 2026.</p> <p>On January 30, 2026, Vanke released its 2025 performance forecast, estimating a full-year net loss attributable to the parent Company of RMB 82 billion, a non-recurring gain/loss-adjusted net loss of approximately RMB 80 billion, and a basic loss per share of RMB 6.89.</p> <p>As of the end of January 2026, Vanke had 16 outstanding onshore bonds, including 6 medium-term notes and 10 corporate bonds, totaling RMB 21.798 billion. The Company also had two outstanding USD bonds offshore, totaling US\$1.3 billion. These two bonds, totaling US\$1.3 billion, could potentially trigger cross-default clauses: if Vanke fails to repay other debts exceeding US\$50 million on time or within the "originally applicable grace period," creditors holding at least 25% of the outstanding amount of these bonds could demand immediate full repayment of all notes.</p>

Source: Public Information, CCXAP research

## Regulatory Developments: Southbound Bond Connect Expansion Opens New Avenues for Hong Kong Bond Market

On July 8, 2025, the People's Bank of China (PBOC) and the Hong Kong Monetary Authority (HKMA) jointly announced three key opening measures at the "Bond Connect Anniversary Forum 2025." The central measure involved expanding the Southbound Bond Connect to include four categories of non-bank financial institutions: securities firms, fund management companies, insurance companies, and wealth management companies. This represents the most substantial enhancement since the channel's launch in September 2021. By extending beyond the original investor base of primarily banks and QDII/RQDII entities, it channels funds from onshore non-bank institutions—with their diverse risk appetites and investment strategies—into the Hong Kong bond market. This expansion is expected to introduce medium- to long-term capital, thereby increasing activity and liquidity in the offshore Renminbi (RMB) market.

The expansion incorporates onshore non-bank institutional investors, whose varied risk preferences and strategies are poised to enrich the Hong Kong market. Currently, banks dominate the Southbound channel, favoring low-risk assets with relatively uniform strategies and stable credit profiles. The newly included institutions exhibit distinct characteristics: Insurance companies, aligned with long-duration liabilities, demonstrate strong demand for stable-yield, long-term assets, positioning them as consistent purchasers of quality medium- to long-term credit bonds and helping to counteract the trend toward shorter maturities. Securities and fund companies, with more adaptable strategies and higher risk tolerance, are well-suited to capture credit premiums, enhance liquidity for high-yield bonds and those from emerging sectors, and improve pricing efficiency in the primary market. Wealth management companies, through their varied product offerings, can address a range of risk appetites.

The influx of new capital is anticipated to benefit the offshore bond market in three key areas: enhancing liquidity, improving pricing efficiency, and optimizing the maturity structure. First, the more dynamic trading behavior of non-bank institutions may narrow credit spreads and liquidity premiums in the secondary market, elevating overall valuations and fostering a supportive environment for primary market issuances. Second, long-term capital from sources such as insurance funds will stimulate demand for medium- to long-term bonds, mitigating maturity mismatches and encouraging greater issuance of such instruments to balance the market structure. Furthermore, as a direct conduit for onshore investors into the offshore RMB bond market, this expansion provides robust liquidity support for the Dim Sum bond market, contributing to the refinement of the offshore RMB product ecosystem and the advancement of RMB internationalization.

## Regulatory Developments: Shanghai FTZ Offshore Bond Rules Issued, Emphasizing the "Both Ends Offshore" Principle

On September 29, 2025, the Office of the Shanghai Municipal Financial Commission and the PBOC Shanghai Head Office issued the "Several Measures on Further Promoting the High-Quality Development of Shanghai FTZ Offshore Bonds (Trial)" (the "Measures"). This document implements the policy directive on developing FTZ offshore bonds announced at the Lujiazui Forum in June 2025. It aligns with international practices, adheres to the "both ends offshore" principle, and leverages FTZ offshore bonds to broaden financing channels for enterprises expanding internationally and high-quality entities from Belt and Road Initiative countries and regions, while strengthening the offshore financial system.

Due to the prevalence of onshore institutions on both the issuance and investment sides (a "both ends onshore" situation), FTZ bond policies were tightened in 2023, resulting in a virtual halt to issuances. At the 2025 Lujiazui Forum, PBOC Governor Pan Gongsheng outlined eight financial opening measures, including the development of FTZ offshore bonds while emphasizing adherence to the "both ends offshore" principle and international standards, thereby elevating market expectations for resumed issuances. The Measures establish an institutional framework, marking the onset of a new development phase.

The Measures primarily address entity eligibility, fund utilization, and supporting mechanisms: They explicitly require compliance with the "both ends offshore" principle, which could enhance the FTZ offshore bond ecosystem and facilitate onshore enterprises' global expansion as well as foreign bond issuances in China. They also provide clear guidelines on the application and flow of raised funds, ensuring their allocation to genuine offshore projects and preventing disguised onshore financing. In alignment with international norms, the Measures establish a product system primarily denominated in RMB but accommodating multiple currencies, thereby promoting RMB internationalization.

Building on the Measures, Shanghai further reinforced the legal foundation through local legislation. On December 30, 2025, the Standing Committee of the Shanghai Municipal People's Congress approved the "Several Provisions of Shanghai Pudong New Area on the Development of FTZ Offshore Bond Business" (the "Provisions"), effective from March 1, 2026. As the nation's first dedicated local regulation for FTZ offshore bonds, it codifies the core elements of "primarily issued to overseas investors" and the "both ends offshore" principle. It systematically regulates key aspects, including issuer and investor qualifications, registration and custody settlement models (with a preference for the primary custody approach), principles for fund usage, and cross-border regulatory cooperation. Notably, it not only enshrines the "both ends offshore" principle but also includes provisions encouraging RMB denomination and prioritizing Shanghai as the arbitration venue, thereby enhancing the international financial center's capabilities and providing robust legal safeguards for the market's long-term, standardized operations.

The introduction of these regulations signals the commencement of further advancement for FTZ offshore bonds. The market has initiated explorations of issuances under the "both ends offshore" principle, and subsequent product introductions and issuance volumes merit close monitoring. In the current context, attention should focus on the investor composition of the FTZ offshore bond market. During the initial stages, the market may encounter challenges related to a limited investor base and insufficient depth, requiring time to cultivate overseas investors' familiarity and acceptance. Additionally, secondary market liquidity risks warrant consideration. Although the Provisions permit offline transactions or those via onshore/offshore platforms, mechanisms such as market-making systems and electronic trading platforms still require development and refinement, potentially constraining trading activity. Furthermore, information disclosure remains a key issue. While the Provisions mandate truthful, accurate, complete, and timely disclosure in line with international practices, specific implementation standards and details await clarification, which may increase the complexity of risk assessment for overseas investors.

## Outlook

Looking ahead to 2026, based on news related to the change of leadership at the Federal Reserve, the benchmark interest rate may fall again by 0.5%-0.75%, which is expected to lower the financing cost of dollar bonds, potentially leading to a rebound in the issuance of offshore dollar bonds by Chinese companies. Furthermore, the low cost of RMB financing will boost global investor demand for RMB assets. Coupled with the accelerated internationalization of the RMB and improved cross-border financing functions, the issuance of Dim Sum bonds is expected to grow steadily, with a more diversified issuer structure. In terms of investment, with the expansion of the Southbound Trading Connect to include non-bank financial institutions such as securities firms, insurance companies, wealth management companies, and asset management companies, the investor structure is expected to become more diversified, which is conducive to the long-term stable development of the offshore bond market.

Since 2025, regulatory policies on offshore bonds issued by Chengtou have continued to tighten. Considering the restrictions on new financing for Chengtou and the stricter investment approvals under policies such as "Document No. 35" and "Document No. 47," the offshore bond financing channels for weaker county-level Chengtou may be significantly hindered. According to recent market guidance, local state-owned enterprises must meet the criteria for being classified as manufacturing enterprises when increasing their foreign debt

quotas, with revenue from their main businesses, such as mining and manufacturing, accounting for no less than 80%. Driven by overseas resource expansion and green transformation, high-quality mining companies with ESG advantages and key mineral investments will continue to attract overseas financing. The manufacturing sector, driven by demand for industrial upgrading, digitalization, and strategic emerging fields, is expected to expand its overseas bond issuance from traditional consumer goods to high-end manufacturing, new energy vehicles, and semiconductors. Mining and manufacturing not only meet the financing needs of "going global" and industrial upgrading but also align with current regulatory policies guiding funds towards high-quality manufacturing enterprises, and are expected to become key growth sectors for industrial overseas bonds in the future. Furthermore, current national policies also support high-quality private enterprises issuing bonds, suggesting that the scale of overseas debt issued by private enterprises is likely to increase in the future.

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