

CHINA EVERGRANDE GROUP – ONE OF CHINA'S LARGEST PROPERTY DEVELOPERS – FACED REGULATORY CHALLENGES AND A DECELERATING REAL ESTATE MARKET AMID GROWING DEBT



The China Evergrande Group is one of China's largest property developers. The EDF-X early warning system has flagged the firm as a persistent watchlist candidate with elevated credit risk from August 2020 onward. Evergrande's aggressive expansion, including ventures in electric vehicles, theme parks, energy, and other sectors resulted in highly leveraged investments. The company's borrowing capacity was significantly hampered by the government's "three red lines" policy, which introduced balance sheet restrictions to curb excess borrowing to slow the rise in home prices. Evergrande breached these restrictions despite its attempts to sidestep regulations by raising billions of dollars through sales of wealth management products (WMPs), off-balance sheet high-yielding savings products. Between China's zero COVID-19 policy that dampened demand in the housing market as well as its growing debt obligations, Evergrande's stock plummeted in late 2021 as it faced a [liquidity crisis](#) that culminated in its defaulting on offshore debt. With over \$340B [in debt](#) by the end of 2022, Evergrande became the world's most indebted property group and filed for bankruptcy protection in August 2023, fanning concerns of contagion risks to the financial system.