

Beijing City Subcenter Investment and Construction Group Co., Ltd.'s 2019-1 Asset-Backed Notes

Ratings

Class	Amount (CNY 10,000)	Percent as of Total (%)	Rating
Senior	175,000.00	98.87	AAA _{sf}
Subordinated	2,000.00	1.13	NR
Total	177,000.00	100.00	—

Note: NR stands for not rated; the same below.

Transaction Overview

Type of the transaction: Trust-type asset-backed notes

Underlying assets: Trustor's rights as a trust beneficiary based on the Single Unit Trust Contract and the Trust Loan Contract

Credit enhancement mechanisms: Over-collateralization, senior/subordinated structure, top up mechanism

Trustor/single unit trust trustor/original beneficiary: Minmetals International Trust Co., Ltd. (representing Minmetals Trust - BCSIC No. 1 Collective Capital Trust Scheme)

Trustee/single unit trust trustee/lender/issue vehicle management institution: Minmetals International Trust Co., Ltd.

Originator/asset service provider/underlying debtor/pledgor/mortgagor/top up provider/liquidity support undertaker/borrower: Beijing City Subcenter Investment and Construction Group Co., Ltd.

Fund custodian/custodian bank of the single unit trust: Zhongguancun Branch of Bank of Beijing Co., Ltd.

Supervisory bank: Shangdi Sub-Branch of Bank of Beijing Co., Ltd.

Lead underwriter/bookrunner: Bank of Beijing Co., Ltd.

Joint lead underwriter: Industrial and Commercial Bank of China Limited

Rating methodology and rating model adopted:

Name	Version
Rating Methodology for Commercial Real Estate Asset Securitization(Single Borrower)	V3.0.201907

Note: Lianhe Ratings has publicly disclosed the aforementioned rating methodology and rating model at its official website.

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Rationale

China Lianhe Credit Rating Co., Ltd. has conducted a comprehensive analysis on factors involved in Beijing City Subcenter Investment and Construction Group Co., Ltd.'s (BCSIC) 2019-1 asset-backed notes, including the underlying assets, transaction structure, legal elements, operational risks, and the ability of related institutions to perform the contracts. In addition, it has also performed cash flow analysis on the pledged assets as well as analysis and stress tests on the value of the collateral. Under the premise that Minmetals International Trust Co., Ltd., the Trustee, will become the first entity to receive payment regarding the collateral under the transaction within the agreed period, taking into account both the ability and willingness to pay of BCSIC, the top up provider, Lianhe Ratings assigns AAA_{sf} to the senior notes under BCSIC's 2019-1 asset-backed notes. The subordinated notes are not rated.

The rating on the senior notes reflects that their holders are expected to receive interest on time and receive full principal repayment on or prior to the legal maturity date, and the default risk is extremely low.

Strengths

1. The transaction features a top up mechanism. The top up provider is BCSIC, which will make the difference up when the expected funds available for distribution are not sufficient to pay the expected returns and/or the principal of the senior notes during the distribution of trust gains. Lianhe Ratings assigns a long-term rating of AAA and stable outlook to BCSIC. Since its credit risk is extremely low, the Company is able to provide important credit support for the repayment of the senior notes.
2. The single unit trust to which the underlying

assets correspond features a collateral mechanism, with the collateral involving an underlying property. Beijing Shoujia Real Estate Appraisal Co., Ltd. values the collateral at CNY 3,570,150,000 on the appraisal benchmark date. With the ratio of the value of the senior notes to the appraisal value of the collateral standing at 49.02%, the collateral can provide certain assurance for the repayment of principal of the senior notes.

3. The single unit trust to which the underlying assets correspond features a pledge mechanism, with the creditor's claim and other gains regarding the leasing of the underlying property held by BCSIC being the pledged assets. Generally, the coverage multiple of the rental income of the underlying property to the principal and interest of the senior notes during the periods (excluding the last period) surpasses 1.17x, meaning the rental income of the underlying property can provide certain assurance for the repayment of the principal and interest of the senior notes during the periods.

Concerns and Risk Mitigation

1. According to the stipulations in the transaction documents, the main source of repayment of interest and principal of the senior notes is the rental income generated by the underlying property. Therefore, substantial volatility in the underlying property's operating income during the duration of the trust may lead to inability to repay single trust loan associated with the underlying assets in full and on time, which will in turn adversely affect the repayment of principal and expected returns of the senior notes.

Risk mitigation: The underlying property in the transaction is located in Beijing's Ya'ao

business district, with convenient transport and excellent location. Its rental income has kept increasing steadily in the past three years. As of the appraisal benchmark date, it had been fully leased, with a decent customer base and stable operation. In the meantime, BCSIC has issued a letter of commitment on top up, undertaking that it will make the difference up if the fund in the trust account is not sufficient to pay the taxes payable by the trust for the period, the trust fees, the principal and expected returns of the senior notes, and other payables.

2. According to the stipulations in the transaction documents, the rental income of the underlying property depends on its continuous operation. Therefore, the going-concern capabilities of the underlying property during the duration of the trust may affect the repayment of principal and interest of the senior notes.

Risk mitigation: In order to ensure the continued and stable operation of Xin'ao Shopping Center during the duration of the notes, BCSIC has issued a letter of commitment on liquidity support, undertaking that it will provide liquidity support to the entrusted operator of Xin'ao Shopping Center to help ensure its stable operation.

3. The transaction stipulates that during the early repayment declaration period, holders of senior notes have the right to ask the trustee to repay expected returns and outstanding principal of all or part of their senior notes earlier than scheduled. Such holders are subject to the risk of failure to receive payment earlier than scheduled.

Risk mitigation: The transaction stipulates that if holders of senior notes choose to request the early repayment of all or part of their senior notes, the originator has the right

to instruct the trustee to repay expected returns and outstanding principal of all the remaining senior notes in advance. If the originator fails to provide the funds needed to make the early repayment for the period in full per the request of the trustee and the trustee is thus unable to repay the amount required to be paid in advance to the note holders, the top up provider should make the difference up on the top up initiation date.

4. As the asset-backed notes mature, the borrower will need a large amount of money to repay the outstanding principal and interest for the period, meaning it will be under heavy pressure to make a one-time repayment.

Risk mitigation: When the transaction comes due, the repayment of principal of the senior notes will mainly depend on the refinancing ability of the borrower, and proceeds from the disposal of the collateral will serve as guarantee for repayment. The borrower in the transaction has an extremely high credit level. In addition, with the ratio of the value of the senior notes to the appraisal value of the collateral standing at 49.02%, the collateral can provide certain assurance for the repayment of principal of the senior notes.

5. Commercial real estate is closely related to economic growth. With China's economy continuing to slow down and due to the impact of online e-commerce platforms, the growth rate of the commercial real estate industry has declined amid fluctuations in recent years. Therefore, both the rental income of the underlying property and the value of the collateral are affected by the development of the commercial real estate sector, indicating the existence of certain sector related risks.

Risk mitigation: Lianhe Ratings has already

taken into account the impact of volatility in the commercial real estate industry on both the future cash inflow and valuation of the underlying property. It will continue to

monitor changes in national macro policies and the development of the commercial real estate sector.