

Property Firm’s ABS Accounting Treatment and its Impact

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Summary

Regulatory oversight of the Chinese property industry has been considerably tightened since 2016, with traditional financing channels of these companies coming under more strict controls. Against this backdrop, the issuance of asset-backed securities (ABS) products in the Chinese property industry has accelerated substantially, buoyed by the increase in financing demand from companies in the sector. As of 29 December 2020, the accumulated value of ABS from Chinese property companies exceeded RMB1.4 trillion, becoming one of the important alternative financing tools.

Property ABS can be broken down into different categories according to their underlying assets, including supply chain ABS, mortgage balance ABS, property fee ABS, commercial mortgage-backed securities (“CMBS”) and quasi real estate investment trusts (“quasi-REITs”). Different ABS categories are subject to different accounting rules. For example, the supply chain ABS only needs to adjust the liability account items, while the property fee ABS, CMBS and the mortgage balance ABS are classified as secured debt financing, corresponding to the increased bank deposits and liabilities. Quasi-REITs are the only type of property ABS that could be classified as an off-balance sheet item. The on-balance sheet quasi-REITs represent an additional item of the issuer’s liabilities.

Property companies have accounting flexibility in treating the ABS products, which might lead to lower apparent debt ratios and inflate their repayment capacity. In addition, as most ABS products still rely on property companies to provide credit enhancement in China, the issuance of ABS might increase the contingent liabilities for the issuers. Therefore, recognising ABS financing as the companies’ interest-bearing debt could provide a better assessment of the property companies’ debt level and credit risk.

Since 2019, the approval progress of property ABS issuance has been slowed. The newly implemented “three-red-line” financing regulations of the property industry have comprehensively monitored various financing channels, including ABS for the property companies. Looking forward, it might be more difficult for property companies to issue ABS products and the companies with higher exposure to off-balance sheet liabilities will have more pressure. It is necessary to pay attention to relevant policy changes, and be alert to the refinancing pressure of those property developers with relatively higher reliance on ABS financing in the early stage.

Contacts

Name Winnie Guo
Title Director
Direct +852 3615 8344
Email winnie.guo@pyrating.com

Name Simin Chen
Title Analyst
Direct +86 755 8302 5013
Email chensm@cspengyuan.com

Development and current status of property ABS

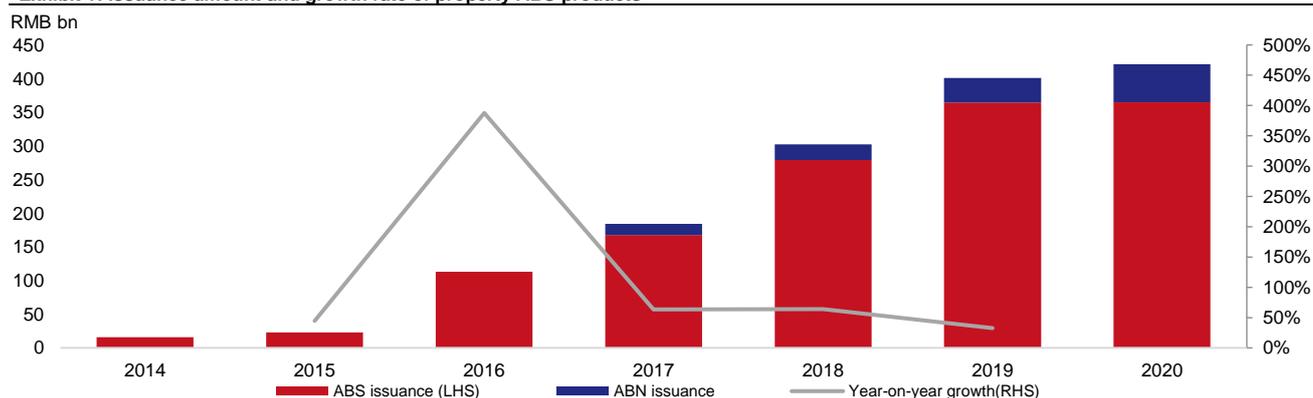
In 2016, the issuance of property ABS products accelerated and became an important financing channel for Chinese property developers. However, property ABS financing also come under the inclusion of comprehensive supervision amid the introduction of new regulations. We expect the pace of property ABS issuance to dampen in the future.

Property development is a capital-intensive industry, characterised by its high demand for financing needs. Regulatory policies of China's property industry have witnessed further tightening since 2016, with these companies' bank credit, non-standard financing, equity financing, onshore debt financing and offshore debt financing all being strictly regulated.

In November 2014, the issuance of ABS was changed to a new registration-based system from the old approval-based system, making the issuance time shorter. This led to a substantial increase in the number of property ABS product issuance and hence expanded the financing channels for the property companies. As a result, more Chinese property developers turned to the ABS market for financing. As of 29 December 2020, the accumulated issuance of property ABS products exceeded RMB1.4 trillion, becoming one of the important financing channels for property companies.

In 2019, the issuance of property ABS products, including ABS supervised by the China Securities Regulatory Commission ("CSRC") and asset-backed notes ("ABN") supervised by the National Association of Financial Market Institutional Investors ("NAFMII") reached RMB400 billion, which was more than 16 times of the issuance in 2015, representing a compound growth of 104%. As of 29 December 2020, the total outstanding issuance of property ABS products reached RMB917 billion, of which CSRC-supervised ABS amounted to RMB821 billion and NAFMII-supervised ABN was at RMB97 billion.

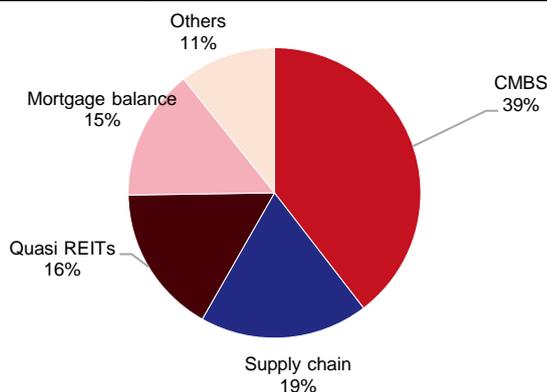
Exhibit 1: Issuance amount and growth rate of property ABS products



Sources: CNABS, CSCI Pengyuan

As the current market share of ABN is relatively small, and ABN and ABS are similar in terms of their underlying assets and transaction structures, this report mainly focuses on ABS products. According to different underlying assets, property ABS products can be divided into supply chain ABS, mortgage balance ABS, property fee ABS, CMBS, quasi-REITs and others (mainly include rent ABS and social housing ABS). In 2019, ABS issuance of property developers amounted to RMB363 billion. Of the total, supply chain ABS, CMBS, quasi-REITs and mortgage balance ABS were the major issuance products, comprising RMB158 billion, RMB103 billion, RMB39 billion and RMB36 billion respectively, accounting for 43%, 28%, 11% and 10%. In terms of the current outstanding property ABS products, CMBS, supply chain ABS, quasi-REITs and mortgage balance ABS made up 39%, 19%, 17% and 15%, respectively as of 29 December 2020.

Exhibit 2: Property ABS products breakdown by outstanding amount (29 Dec 2020)



Sources: CNABS, CSCI Pengyuan

Property ABS issuance has been slowed since 2019, with the sector's financing being restricted under the adherence to the framework of "houses are for living in, not for speculation". In August 2020, the Ministry of Housing and Urban-Rural Development and the People's Bank of China (PBOC) held a conference regarding property companies, with regards to the formation of fund monitoring and financing management rules for the sector.

According to the monitoring checklist issued by the supervisory authorities to these companies, comprehensive monitoring of various financing channels of property developers had been carried out, covering a variety of the financial vehicles including bank loans, bonds (such as asset securitisation products), trusts and asset management programmes. In addition, the off-balance sheet liability monitoring checklist for property developers covers these companies' supply chain ABS products. Against the backdrop of new financing regulations, property companies' ABS issuance is expected to slow in the future.

Accounting treatment and case study

Supply chain ABS only involves adjustments in the companies' liabilities, while mortgage balance ABS, CMBS and property fee ABS are considered as secured debt financing, leading to an increase of bank deposits and liabilities. Quasi-REITs are the only type of property ABS that could be classified as off-balance sheet items. A new liability item will be included for the on-balance sheet quasi-REITs.

When looking at the credit profile of property developers, recognising ABS financing products as interest-bearing debts can better reflect the real debt burden of the issuer and assist in comprehensively evaluating the repayment capacity of these companies.

The accounting treatment for ABS products in China is mainly based on "Accounting Standards for Enterprises No. 23 – Transfer of Financial Assets" and "Accounting Standards for Enterprises No. 33 - Consolidated Financial Statements". Firstly, we need to decide if the ABS product is an off-balance sheet item. The ABS products, such as supply chain ABS, property fees, rental income ABS, and the outstanding balance of mortgage ABS are among the on-balance sheet items and do not require accounting adjustments. The underlying assets of the supply chain ABS are the accounts receivable claims held by upstream suppliers of the property developers. Property fees and rental income are future income and are not included in the current assets of the property companies. In addition, the outstanding balance of mortgage for the presold properties does not constitute the current receivable assets before the revenue recognition conditions such as the handover of houses are met. Hence, the aforementioned categories do not involve the off-balance sheet issues.

Quasi-REITs involve the sale of underlying assets to special purpose vehicles (SPVs), and may involve changes in control. Therefore, quasi-REIT is the only type of property ABS product that needs to be decided whether it is an off-balance sheet item or not. Different quasi-REITs have different accounting treatment, as shown in Table 1.

Table 1: Different accounting categories for property ABS products

| Types of ABS | Underlying Assets | Off-balance sheet | Underlying assets | Post-ABS issuance accounting adjustment | |
|-------------------------------|---|-------------------|--|--|--|
| | | | | Assets | Liabilities |
| Supply chain ABS | Account payable of property companies | No | Accounts payable | Debit: Bank deposits | Credit: Accounts payable/other accounts payable |
| Mortgage balance ABS | Outstanding balance of residential mortgage | No | - | Debit: Bank deposits | Credit: Bonds payable/long-term payables/other non-current liabilities |
| CMBS | Future income of commercial property | No | Investment property | Debit: Bank deposits | Credit: Long-term loans/bonds payable/other non-current liabilities |
| Property fee ABS | Future property fee | No | - | Debit: Bank deposits | Credit: Long-term loans/bonds payable/other non-current liabilities |
| Off-balance sheet quasi-REITs | Equity of target property/project company | Yes | Investment property /long-term equity investment | Debit: Bank deposits Credit: Real estate investment/long-term equity investment | |
| On-balance sheet quasi-REITs | Equity of target property/project company | Yes | Investment property /long-term equity investment | Debit: Bank deposits | Credit: Long-term loans/bonds payable/other non-current liabilities |

Sources: CSCI Pengyuan

1. Supply chain ABS

The underlying assets of supply chain ABS are the accounts receivable claims indebted to upstream suppliers on property companies and their subsidiaries. Generally speaking, supply chain ABS does not increase the financial liabilities, but extends the payment period for accounts payable, and therefore improve the issuer's cash flow efficiencies. The supply chain ABS does not increase the scale of financial liabilities in the financial statements. However, since the cash flow of these ABS' underlying assets depends on the property companies' repayment capacity and willingness, it has credit-like debt characteristics. As of 29 December 2020, the total outstanding supply chain ABS amounted to RMB157 billion, of which the majority has a relatively short maturity period – over 90% was within one year.

The supply chain ABS has relatively moderate impact on the issuer's balance sheet. The issuance of supply chain ABS only changed the payee from the upstream supplier to the factoring company. The accounting treatment for this change involves the adjustment of the "accounts payable" item, which is generally carried out under the subcategory of the "accounts payable" item, or from the "accounts payable" to "other payables". However, if the property company subscribes to the subordinated ABS products, it should be recognised under items of "other current assets" or "trading financial assets".

Case Study 1: The project unit of Jinke Property Group Co., Ltd. conducts supply chain financing business with upstream suppliers, which is reflected in the company's financial statements as a subcategory adjustment under the "accounts payable" item, and the accounts payable party is changed to the factoring company.

Table 1: Breakdown of Jinke Property Group Co., Ltd's accounts payable to related parties (RMB 10,000)

| Items | Company | As of end-2019 | As of end-2018 | As of end-2017 |
|------------------|----------------------------|-----------------|------------------|----------------|
| Accounts payable | Shenlong Construction | 1.94 | 1.94 | 1.94 |
| Accounts payable | Zhongke Group | 774.33 | 776.49 | 789.96 |
| Accounts payable | Chongqing Hangxing | 4,585.90 | - | - |
| Accounts payable | Zhanhe Agriculture | 13.03 | 14.25 | 14.25 |
| Accounts payable | Chongqing Tianhao | - | 4803.05 | - |
| Accounts payable | Jinke Commercial Factoring | 63,975.61 | 23,868.71 | - |
| Total | | 69,349.8 | 29,464.43 | 806.15 |

Sources: Jinke Property Group Co., Ltd, CSCI Pengyuan

Case Study 2: In the first half of 2020, the "Phase-5 Asset-Backed Support Special Programme of China Merchants Chuangrong - China Merchants Shekou Supply Chain" was issued, and the underlying assets were the suppliers' rights over claims of accounts receivable from China Merchants Shekou Industrial Zone Holdings Co., Ltd. ("China Merchants Shekou"). In the company's 2020 semi-annual financial report, ABS financing was included in the "other payables", and the nature of the payments was "accounts receivable factoring".

Table 3: Breakdown of China Merchants Shekou's other payables (RMB 10,000)

| Items | As of end-June 2020 | As of end-2019 |
|--------------------------------|---------------------|----------------|
| Inter-companies in cooperation | 4,509,816.70 | 4,406,982.67 |
| Inter-companies in affiliation | 1,410,060.49 | 1,314,784.56 |

| | | |
|---|---------------------|---------------------|
| Collection of receivables and temporary receivables | 369,510.84 | 480,603.92 |
| Guarantee payment | 201,207.43 | 249,733.07 |
| Acquisition payment of equity investment | 61,264.41 | 64,241.83 |
| Factoring amount | 634,447.51 | 517,575.98 |
| Others | 490,199.43 | 306,007.89 |
| Total | 7,676,506.80 | 7,339,929.92 |

Sources: China Merchants Shekou, CSCI Pengyuan

2. Mortgage Balance ABS

The underlying asset of the mortgage balance ABS is formed by pooling together mortgages. The property buyer pays the down payment after signing the sales contract with the property developer, meanwhile he/she signs the mortgage agreement application with the bank or the housing provident fund management centre, which requires three to six months to approve. Since most of the current housing sales adopt the pre-sale system, the property company has not yet completed the house delivery obligation when the contract is signed, and does not meet the revenue recognition conditions. The mortgage balance can be considered as the receivable creditors' rights of the property developers. As of 29 December 2020, ABS mortgage balance totaled RMB122 billion, of which the maturity period between one and three years accounted for about 70%.

In terms of accounting treatment, mortgage balance ABS could be recognised as "bonds payables", "long-term payables" and "other non-current liabilities". Hong Kong-listed property companies could recognise the mortgage balance ABS as "borrowings", "trade and other payables" or "securitisation arrangement payables". If the property companies subscribe for subordinated ABS, it will be recognised as the "other current assets" or "transactional financial assets", or the net financing amount after deducting its subscribed amount from the total issuance.

Case 3: In September 2019, China Merchants Shekou issued the "China Merchants Shekou Industrial Zone Holdings Co., Ltd.'s 2019 Phase One of the Mortgage Balance Asset-Backed Notes", with a total scale of RMB1 billion, which was included in the "bonds payable".

Table 4: Breakdown of bonds payable by China Merchants Shekou (RMB 10,000)

| Items | As of end-June 2020 | As of end-2019 |
|---|---------------------|---------------------|
| China Merchants Real Estate 2015 Phase I of Medium-Term Notes | - | 21,081.25 |
| China Merchants Real Estate 2017 Phase I of Medium-Term Notes | - | 205,253.23 |
| ... | ... | ... |
| 19 China Merchants Shekou ABN001 | 101,227.17 | 101,227.17 |
| 20 China Merchants Shekou MTN001B | 70,731.50 | - |
| Total | 2,470,485.92 | 2,506,548.13 |

Sources: China Merchants Shekou, CSCI Pengyuan

Case 4: Shenzhen Logan Holdings Co., Ltd., a subsidiary of Logan Group Co., Ltd. ("Logan Group"), issued the "Southwest Securities - Logan Real Estate Mortgage Balance ABS Special Programme" and recognised it as "proceeds generated from asset-backed securities" under "trade and other payables".

Table 5: Logan Group's trade and other payable (RMB 10,000)

| Items | As of end-June 2020 | As of end-2019 |
|--|---------------------|-------------------|
| Trade payables | 24,127,252 | 12,503,788 |
| Other payables and accrued expenses | 25,546,174 | 7,117,016 |
| Customer deposit received | 24,998 | 41,630 |
| Rent received and other deposits | 404,699 | 112,012 |
| Proceeds from asset-backed securities | 3,746,901 | 1,594,890 |
| Total | 56,166,909 | 47,449,771 |

Sources: Logan Group, CSCI Pengyuan

Case 5: Guangzhou Panyu Agile Realty Development Co., Ltd., a subsidiary of Agile Group Holdings Co., Ltd. ("Agile Group"), issued the "Agile Mortgage Balance ABS Special Programme" in September 2017. The proceeds from the issuance was recognised as asset-backed securitisation item under "borrowings" after deducting the issuance cost and the company's subscription of the subordinated issuance of the special programme.

Table 6: Breakdown of China Merchants Shekou's other payables (RMB 10,000)

| Items | As of end-June 2020 | As of end-2019 |
|---------------------------------------|---------------------|----------------|
| Senior notes | 11,984,624.00 | 15,252,369.00 |
| Onshore corporate bonds | 8,568,024.00 | 8,567,219.00 |
| Commercial mortgage-backed securities | 4,088,879.00 | 4,084,182.00 |
| Asset-backed securities | 442,985.00 | 904,408.00 |
| Long-term syndicated loans | 18,005,443.00 | 16,816,021.00 |
| Long-term bank borrowings | 35,227,464.00 | 31,673,733.00 |
| Other borrowings | 7,348,526.00 | 9,788,672.00 |

Sources: Agile, CSCI Pengyuan

3. CMBS and property fee ABS

The underlying assets of CMBS include future income (such as rents, property fees, management fees) from commercial properties, which include office buildings, shopping malls, hotels, apartments, and logistics properties. As of 29 December 2020, the outstanding CMBS scale totalled RMB321 billion, of which the maturity of above 10 years accounted for more than 90%. As CMBS has a longer-term maturity, the accounting treatment usually does not involve short-term items, and are mostly recognised as "long-term borrowings", "bonds payable" or "other non-current liabilities", though many Hong Kong-listed property companies recognise it as "borrowings", or separately listed as "receipts under securitisation arrangement."

With a medium- and long-term maturity, property fee ABS uses future property contract income as the underlying asset cash flow. The property fee ABS is relatively small, accounting for only 2.75% of all real estate ABS. Property fee ABS and CMBS have similar accounting treatment.

Case 6: In 2018, Yango Group Co., Ltd. ("Yango Group") issued CMBS – "IFC-Xi'an Yango World Asset-Backed Special Programme" and property fee ABS – "Tianfeng-Yango Property fee Claims Asset-Backed Special Programme", which were included in the "asset securitisation borrowings" item under "long-term borrowings" in the company statements.

Table 7: Partial breakdown of long-term borrowings of Yango Group (RMB 10,000)

| Bonds/Notes | Type | Duration (Years) | Outstanding amount as of end-June 2020 |
|---|----------------------|------------------|--|
| China Construction Investment Trust Co., Ltd.-CMBS (Senior A) | Asset securitisation | 18.01 | 54,079.74 |
| China Construction Investment Trust Co., Ltd.-CMBS (Senior B) | Asset securitisation | 18.01 | 19,863.00 |
| Property fee ABS (Yango 04) | Asset securitisation | 4.00 | 16,400.00 |

Sources: Yango Group, CSCI Pengyuan

Case Study 7: In the 2020 semi-annual interim report of Red Star Macalline Group Corporation Limited ("Red Star Macalline"), CMBS was listed under the item of "commercial real estate mortgage-backed securities" of "other non-current liabilities".

Table 8: Breakdown of other non-current liabilities of Red Star Macalline (RMB 10,000)

| Item | As of end-June 2020 | As of end-2019 | As of end-2018 |
|--|---------------------|----------------|----------------|
| Project brand consulting commission property fee | 106,167.85 | 111,105.74 | 139,446.49 |
| Commercial mortgage-backed securities | 570,807.35 | 574,710.84 | 478,662.32 |
| Total | 676,975.20 | 685,816.58 | 618,128.81 |

Sources: Red Star Macalline, CSCI Pengyuan

Case Study 8: Agile's commercial property operation subsidiary issued CMBS – "Huaxi Securities-Agile International Plaza Commercial Property Asset-Backed Special Programme" in April 2018. The company was the guarantor of the special programme, with the total issuance size at RMB4.6 billion. After deducting the issuance cost and factoring in the subordinated issuance of the special programme subscribed by the company, the item was included in the "commercial property asset-backed securities" under the company's "borrowings" section (See Table 6).

4. Quasi-REITs

REITs, or real estate investment trusts, are companies that own or finance income-producing real estate across a range of property sectors, with the investment income deriving from rental income and the price appreciation of these properties. In China, due to legal and tax requirements, all REITs issued are classified as quasi-REITs. Generally, the model of "contractual-type fund + special programme" is adopted. Private equity funds purchase the target property assets or project company equity, and the special programme then subscribes all the shares from the private equity fund. Since the quasi-REITs involve the sale of underlying assets to SPVs, this may involve changes in controlling rights, and hence they are the only type among the property ABS that needs to be decided whether they are off-balance sheet items or not. According to the relevant accounting standards, the judgment of the accounting statement of the quasi-REITs mainly involves the judgment of the merger control, the pass-through test and the transfer of the risk reward. For off-balance sheet quasi-REITs that realise the true sale of assets, they are treated as terminating the confirmation of real estate investment or long-term equity investment (project company equity) on the balance sheet, and confirming the asset disposal gains and losses; if they are treated as on-balance sheet items, a new liability item is required and usually included under "long-term borrowings" or "other non-current liabilities" sections.

Case Study 9: China International Marine Containers (Group) Co., Ltd.'s ("CIMC") subsidiary Shenzhen CIMC Skyspace Real Estate Development Co., Ltd. ("CIMC Skyspace") issued "Zhonglian Qianhai Kaiyuan - Phase One Asset-Backed Special Programme of No. 1 CIMC Skyspace Real Estate Industrial Park", with an issuance size of RMB331 million. CIMC Skyspace was the original equity holder and credit enhancement arranger of the special programme, and CIMC will follow a 71.1% ratio in providing joint liability guarantee for CIMC Skyspace's credit enhancement arrangement obligations under the special programme. According to CIMC's 2019 annual report, this special programme was included in "others" under the company's "other non-current liabilities" sections.

Table 9: Breakdown of other non-current liabilities of CIMC Group (RMB 10,000)

| Items | As of end-2019 | As of end-2018 |
|--|----------------|----------------|
| Rental advances | 105,081.00 | 11,241.00 |
| Interest rate swap contract | 40,275.00 | 8,499.00 |
| Capital increment from strategic investors | - | 1,249,826.00 |
| Dividend commitment to minority shareholders | - | 487,632.00 |
| Others | 1,360,724.00 | 373,809.00 |

Sources: CIMC, CSCI Pengyuan

ABS products impact on property company's debt

Property firms are relatively flexible in accounting treatment of ABS products. This could lead lower the apparent debt ratio and even inflate the repayment capacity of the issuer. In addition, as many ABS products rely on issuers to provide credit enhancement in China, the issuance of ABS might increase the contingent liabilities for the property developers. Therefore, we believe a restoration of ABS products to the issuers' interest-bearing debt could provide a better assessment of the property companies' debt level and credit risk.

According to different underlying assets, property companies' ABS products can be subdivided into supply-chain ABS, mortgage balance ABS, property fee ABS, CMBS, quasi-REITs and others.

Supply chain ABS owns debt-like characteristics as the cash flow of its underlying assets rely on the issuer's capability and willingness of repayment. However, the supply-chain ABS does not increase interest-bearing debt of the property companies from the perspective of consolidated statements, as it is usually recognised as operating liabilities such as "accounts payable", which is relatively implicit, rather than "bonds payable". Due to its relatively strong quasi-credit bond properties, in the context of overall tightening of property financing, relevant authorities have imposed certain issuance restrictions on the property supply-chain ABS.

The mortgage balance ABS, property fee ABS and CMBS are ultimately similar to mortgage financing. These ABS products are considered as on-balance sheet items, since the mortgage balance and the future income of commercial property are not considered as current assets. These ABS products will increase the issuer's debt scale, as they are only recognised as "long-term payables" or "other non-current liabilities" in the balance sheet, it might be omitted from the calculation of leverage ratios due to variation in the issuer's accounting treatment. In addition, although the repayment of the principal amount and the interest of mortgage balance ABS, property fee ABS and CMBS are based on the underlying assets, it is very common for these ABS products to rely on the originator to provide credit enhancement, which creates contingent liabilities for the issuer. As a result, an in-depth analysis of these issuers' financial reports is necessary.

Quasi-REIT is the only property ABS product that needs to be judged whether it is an off-balance sheet item. A higher proportion of the quasi-REITs are recognised as on-balance sheet items in the market, which have a similar feature to mortgage financing and increase the company's debt. Those quasi-REITs that involve the sale of assets are recognised as off-balance sheet items, which could reduce the company's financial leverage, improve its asset liquidity and have a positive impact on the issuer's repayment ability.

Conclusion

Property companies can reinvigorate their assets and accelerate the return of funds through ABS financing. Benefiting from the increasing financing demand of the property companies and the expansion of the corporate ABS market, the number of asset securitisation product issuance of the property industry has increased very fast since 2016, which has effectively expanded the financing channels for these companies. As of 29 December 2020, the accumulated issuance of property ABS products exceeded RMB1.4 trillion, making it one of the important financing channels for the property companies.

Property companies can manage the scale of interest-bearing debt through the supply chain ABS to reduce their apparent debt ratio and enhance their financial profiles. The mortgage balance ABS, property fee ABS and CMBS will directly increase the liabilities of the property companies, but this might not increase the interest-bearing debt if they are recognised as "long-term payables" or "other non-current assets". The off-balance sheet quasi-REITs which involve asset sale can reduce financial leverage for the company and improve the asset liquidity, but on-balance sheet quasi-REITs are essentially similar to mortgage financing, and will also increase the debt scale of the property companies.

When doing credit research on property companies, recognising ABS products as interest-bearing debts can provide a better understanding of their leverage profiles and comprehensively evaluate their repayment ability. According to the previous cases, property companies tend to treat the ABS products in different ways. As some items usually contain both operating liabilities and financial liabilities, they need to be further processed with additional remarks.

Since 2019, on the basis of adhering to the framework of "houses are for living in, not for speculation", the approval progress of ABS financing authorised under the relevant exchanges has been slow. The new "three-red-line" financing regulations of the property industry have comprehensively monitored various financing channels including ABS for property companies. In the future, the difficulty of financing through ABS by property companies will increase, and the pressure of hidden debts of property companies will become increasingly prominent. It is necessary to continuously pay attention to relevant policy changes, and be alert to the refinancing pressure of property companies that rely on ABS financing in the early stage.

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