Ping An Real Estate Company Ltd.

Surveillance Report

Summary	
Issuer Rating	BBB
Outlook	Stable
Location	China
Industry	Investment Holdings
Date	28 February 2025

Lianhe Ratings Global Limited ("Lianhe Global") has affirmed 'BBB' global scale Long-term Issuer and Issuance Credit Rating of Ping An Real Estate Company Ltd. ("PARE"); Issuer Rating Outlook Stable

Summary

The Issuer Rating reflects the likely support PARE would receive from its parent Ping An Insurance (Group) Company of China, Ltd. ("PAI Group") to ensure its viability, considering PARE's strategic role as the group's key asset management arm, high integration and linkage. PARE's rating is constrained by its liquidity, high asset concentration in the real estate sector and pressured investment return amid the property market downturn.

At the same time, Lianhe Global has affirmed 'BBB' global scale Long-term Issuance Credit Ratings to senior unsecured USD Notes ("the USD notes") issued by PARE's wholly-owned subsidiaries, Pingan Real Estate Capital Limited and Fuqing Investment Management Limited. PARE shows its strong willingness to support its subsidiaries in meeting their debt obligations by offering the keepwell deed and liquidity support undertaking. A full list of affirmed issuance ratings is included in this press release.

The Stable Outlook reflects our expectation that PARE would maintain its strategic importance in PAI Group, while PAI Group will continue to support PARE's stable operation.

Key Rating Rationales

A Key Asset Management Platform under PAI Group: PARE continued to be a professional real estate investment and asset management platform under PAI Group. The company primarily provides property-related asset investment and management services, mainly to members of PAI Group and some external clients. It plays a significant role in facilitating PAI Group's real estate investments which are suitable for the long-term nature of insurance funds. PARE mainly invests in commercial properties such as office buildings and commercial complexes. It usually participates in these projects at their early stages and subsequently sells them to members of PAI Group.

PAI Group's Controlling Ownership and High Integration: PAI Group indirectly owns 99.62% of PARE through its subsidiaries. PARE is highly integrated with PAI Group as the group is deeply involved in PARE's business strategies, and coordinates and manages its capital resources at the group level. A high proportion of counterparties of PARE's businesses and investment portfolios are PAI Group and its subsidiaries. PAI Group regularly evaluates liquid assets and maturing debts and uses tools, including stress testing of cash flows, to identify risks in advance.

Ongoing Financial and Operational Support: In addition to strategic alignment, PAI Group has provided capital to support PARE's business operations. PARE received capital injection of RMB2.5 billion in September 2022. Given the potential impact on its reputation and overall effectiveness, we believe PAI Group will continue to support PARE in various ways to ensure its stable operation.

Strong Insurance Franchise Underpins PAI Group's Supporting Capability: PAI Group is a leading integrated financial services group in China, with total assets reaching RMB12.5 trillion at

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Applicable Criteria

Investment Holdings and Conglomerates Rating Criteria (30 November 2023)

the end of September 2024. PAI Group owns a strong market position in China's life and non-life sectors and has diversified into banking, asset management and other financial services. PAI Group reported a net profit of RMB140,054 million in 9M2024 on a consolidated basis. The life and health insurance segment was the largest earnings contributor. At the parent company level, Ping An Group held free cash of RMB45,835 million as of the end of June2024, which was mainly contributed by dividend income from its subsidiaries.

Profitability under Pressure Amid Protracted Property Market Downturn: The protracted property market downturn reduced the demand for PARE's property-related asset investment and management services. The company's operating revenue decreased by 37.0% to RMB1,527 million in 2023, and further dropped by 32.8% year-on-year to RMB365 million in the first half of 2024. The return on PARE's investments, mainly in the real estate sector through equity and debt investments, also decreased by 23.8% to RMB2,314 million in 2023. As a result, PARE recorded low ROE of 0.54% in 2023.

Deleveraging Underway; Debt Servicing Capability Remained Weak: PARE's total debt to the value ("LTV ratio") of the investment portfolio decreased to below 40% level at end-June 2024, down from 59.7% at end-2021 and 47.9% at end-2022, owing to the company's effort of deleveraging. PARE also replaced a significant part of its maturity bonds and syndication loans with bilateral bank borrowings, which would be more flexible in terms and repayment schedule. We also expect the company to lower its total debt in the next two to three years.

However, the weak profitability undermined PARE's debt servicing capability. Its interest and expense coverage decreased to 1.5x, 1.1x and 1.0x in 2022, 2023 and the first half of 2024, respectively, from 2.9x in 2021. At the end of June 2024, PARE had unrestricted cash on hand of RMB14.8 million, compared with its short-term debt of RMB31.7 billion. Yet the company maintained a strong relationship with major banks (including Pingan Bnak) in China. At the end of September 2024, it had total bank facilities amounting to RMB120 billion, of which RMB87 billion were unused.

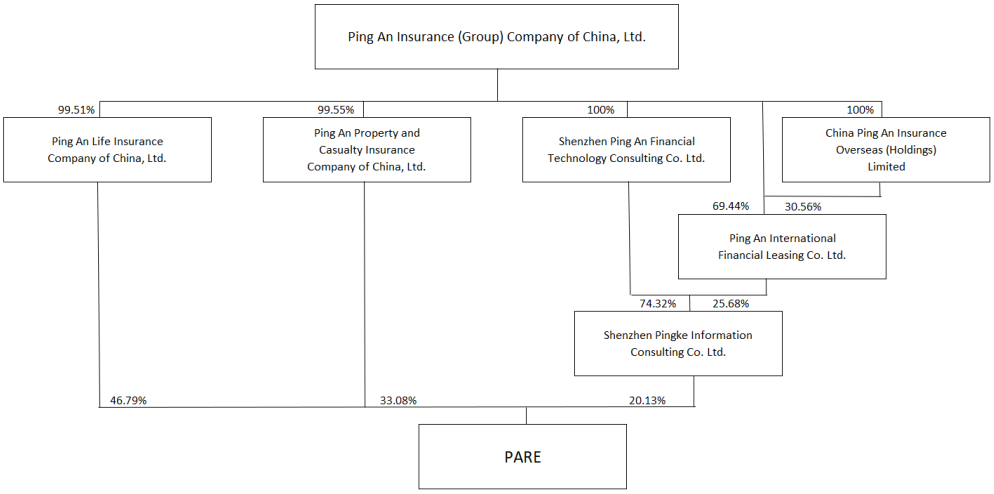
Rating Sensitivities

We would consider downgrading PARE's rating if (1) its LTV ratio rises to consistently above 60%, or (2) its debt servicing capability and liquidity significantly deteriorates, or (3) there is perceived weakening in support from PAI Group, particularly due to its reduced strategic importance in PAI Group and significant reduction of PAI Group's ownership of PARE, or (4) there is a downgrade in our internal credit assessment on PAI Group.

We would consider upgrading PARE's rating if (1) its LTV ratio is consistently at below 40% and interest and expense coverage at above 4.0x, and/or (2) there is a significant improvement in liquidity and diversification of its investment portfolio, and/or (3) there is strengthened support from PAI Group, and/or (4) there is an upgrade in our internal credit assessment on PAI Group.

Company Profile

PARE, formerly known as Shenzhen Ping An Property Investment Management Co., Ltd., was established in 1995 with an initial registered capital of RMB200 million. By the end of June 2024, the company's paid-in capital had increased to RMB21.16 billion, and the equity structure is as shown in the table below, with PAI Group continued to being the ultimate controlling shareholder.



Source: The company and Lianhe Global

PARE is a key asset management platform under PAI Group, a leading integrated financial services group in China. PARE plays a significant role in facilitating and allocating PAI Group's investments in the real estate sector. PARE provides property-related asset investment and management services, including real estate management and operation, project investment consultant, project construction management etc., mainly to members of PAI Group and some external clients. The company is responsible for the management and operation of an array of landmark buildings owned by members of PAI Group, such as Shenzhen Ping An Financial Centre in Shenzhen. In addition, PARE invests in commercial properties such as office buildings and commercial complexes for operational and rental income. It usually participates in these projects at their early stages and subsequently sells them to members of PAI Group.

Full List of Issuance Rating

A full list of affirmed Issuance rating is included below. Any rating action on PARE's rating would result in a similar rating action on the USD notes:

-USD500 million 3.25% senior unsecured notes due 2025 affirmed at 'BBB'
-USD300 million 3.45% senior unsecured notes due 2026 affirmed at 'BBB'

Appendix I: PARE's Rating Factors

Rating Factors	Weight	Initial Rating
I. Investment Strategy and Risk Appetite	**15.0%**	**bb**
II. Governance and Management	**5.0%**	**bbb**
III. Portfolio Quality and Diversity[1]	**40.0%**	**bb**
IV. Financial Structure and Flexibility[2]	**40.0%**	**bb-**
Stand-Alone Creditworthiness		**bb**

Notes:
1. Contains sub-factors of Asset Concentration, Geographic Diversity, Business Diversity, Asset Quality and Valuation
2. Contains sub-factors of Financial Policy, Debt Servicing Capability, Liquidity and Funding

External Support	**Moderately Strong**
Issuer Credit Rating	**BBB**

Source: Lianhe Global

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