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The Issuer, having made all reasonable enquiries, confirms that (i) this Offering Circular contain the all information with respect to the Issuer and its respective subsidiaries taken as a whole (the “**Group**”) and the Bonds which is material in the context of the issue and offering of the Bonds (including the information which is required by applicable laws and the relevant rules and regulations imposed by the Stock Exchange, and according to the particular nature of the Issuer, the Bonds, is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer, and of the rights attaching to the Bonds); (ii) the statements contained in this Offering Circular relating to the Issuer and the Group are in all material respects true and accurate and not misleading; (iii) the opinions and intentions relating to the Issuer and the Group expressed in this Offering Circular are, honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there is no other information in relation to the Issuer, the Group or the Bonds the omission of which would, in the context of the issue and offering of the Bonds, make any statement in this Offering Circular misleading in any material respect; and (v) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements.

This Offering Circular is highly confidential and has been prepared by the Issuer solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. The distribution of this Offering Circular and the offering, sale and delivery of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, China CITIC Bank International Limited, Guotai Junan Securities (Hong Kong) Limited, Mizuho Securities Asia Limited, Bank of China, Industrial Bank Co., Ltd. Hong Kong Branch, Australia and New Zealand Banking Group Limited and China Minsheng Banking Corp., Ltd., Hong Kong Branch (the “**Joint Lead Managers**”), the Trustee and the Agents (as defined in the Terms and Conditions) and each of their respective directors, officers, employees, agents, representatives, advisers and affiliates, and each person who controls any of them, to inform themselves about and to observe any such restrictions. None of the Issuer, the Joint Lead Managers, the Trustee or the Agents, or any of the respective directors, officers, employees, agents, representatives, advisers or affiliates, or any person who controls any of them, represents that this Offering Circular may be lawfully distributed, or that any Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. Accordingly, no Bonds may be offered or sold, directly or indirectly, and none of this Offering Circular or any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. There are restrictions on the offer and sale of the Bonds, and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and the distribution of this Offering Circular, see “*Subscription and Sale*”.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “**Listing Rules**”) for the purpose of giving information with regard to the Issuer and the Group. The Issuer accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Hong Kong Exchanges and Clearing Limited and the HKSE take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

Listing of the Bonds on the HKSE is not to be taken as an indication of the merits of the Issuer, the Group or the Bonds. In making an investment decision, investors must rely on their own examination of the Issuer and the Group and the terms of the offering of the Bonds, including the merits and risks involved. See “*Risk Factors*” for a discussion of certain factors to be considered in connection with an investment in the Bonds. The Issuer, the Group, the Joint Lead Managers, the Trustee and the Agents and each of their respective directors, officers, employees, agents, representatives, advisers and affiliates, and each person who controls any of them, are not making any representation to any purchaser of the Bonds regarding the legality of any investment in the Bonds by such purchaser under any legal investment or similar laws or regulations. The contents of this Offering Circular should not be construed as providing legal, business, accounting or investment advice. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates, or any person who controls any of them, in connection with its investigation of the accuracy of such information or its investment decision.

No person has been authorised by the Issuer to give any information or to make any representation other than those contained in this Offering Circular or any other document entered into in relation to the sale of the Bonds and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Joint Lead Managers, the Trustee or any Agent or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates, or any person who controls any of them. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Group or any of them since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or create any implication that the information contained herein is correct as at any date subsequent to the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Bonds is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates, or any person who controls any of them, to subscribe for or purchase any of the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

None of the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates, or any person who controls any of them, have independently verified all the information contained in this Offering Circular and can give no assurance that this information is accurate, truthful or complete. Accordingly no representation or warranty or undertaking, express or implied, is made or given and no responsibility or liability is accepted by the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates, or any person who controls any of them, as to the accuracy, completeness or sufficiency of the information contained or incorporated in this Offering Circular, and nothing contained or incorporated in this Offering Circular or any other information provided by the Issuer in connection with the Bonds is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates, or any person who controls any of them. Neither this Offering Circular nor any other information supplied in connection with the Bonds (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer, the Joint Lead Managers, the Trustee or any of the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates, or any person who controls any of them,

that any recipient of this Offering Circular should purchase the Bonds. Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Bonds should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

In making an investment decision, investors must rely on their own examination of the Issuer, the Group and the terms of the offering of the Bonds, including the merits and risks involved. See “*Risk Factors*” for a discussion of certain factors to be considered in connection with an investment in the Bonds. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee or any Agent or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates, or any person who controls any of them, in connection with its investigation of the accuracy of such information or its investment decision.

To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates, or any person who controls any of them, accept any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by any of the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates, or any person who controls any of them, or on its behalf in connection with the Issuer, the Group or the issue and offering of the Bonds. Each of the Joint Lead Managers, the Trustee and the Agents and each of their respective directors, officers, employees, agents, representatives, advisers and affiliates, and each person who controls any of them, accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates, or any person who controls any of them, undertake to review the financial condition or affairs of the Issuer or the Group for so long as the Bonds remain outstanding nor to advise any investor or potential investor in the Bonds of any information coming to the attention of the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates, or any person who controls any of them.

***Singapore SFA Product Classification** – In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are “prescribed capital markets products” (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

IN CONNECTION WITH THE ISSUE OF THE BONDS, ANY OF THE JOINT LEAD MANAGERS APPOINTED AND ACTING IN ITS CAPACITY AS STABILISING MANAGER (THE “STABILISING MANAGER”) (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND DIRECTIVES, OVER-ALLOT THE BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER WILL UNDERTAKE ANY STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED TIME. ANY STABILISATION ACTION OR OVERALLOTMENT MUST BE CONDUCTED IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

Certain statements under “*Risk Factors*”, “*Description of the Issuer*” and elsewhere in this Offering Circular constitute “forward-looking statements”. The words including “believe”, “expect”, “plan”, “anticipate”, “schedule”, “estimate” and similar words or expressions identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular, including, but without limitation, those regarding the financial position, business strategy, prospects, capital expenditure and investment plans of the Group and the plans and objectives of the Group’s management for its future operations (including development plans and objectives relating to the Group’s operations), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results or performance of the Group to differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group’s present and future business strategies and the environment in which the Group will operate in the future. The Issuer expressly disclaims any obligation or undertaking to release any updates or revisions to any forward-looking statements contained herein to reflect any change in the Issuer’s or the Group’s expectations with regard thereto or any change of events, conditions or circumstances, on which any such statements were based. This Offering Circular discloses, under “*Risk Factors*” and elsewhere, important factors that could cause actual results to differ materially from the Issuer’s expectations. All subsequent written and forward-looking statements attributable to the Issuer or persons acting on behalf of the Issuer are expressly qualified in their entirety by such cautionary statements.

PRESENTATION OF FINANCIAL INFORMATION

The Issuer prepares its consolidated financial information in accordance with Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance, PRC, on 15 February 2006 and thereafter (“CAS”). The Issuer’s summary consolidated financial information as of, and for, the years ended 31 December 2018, 2019 and 2020 have been extracted from the consolidated financial statements audited by the independent auditors of the Issuer, and included elsewhere in this Offering Circular together with the auditor’s report in respect of the financial years ended 31 December 2019 and 2020.

The Issuer’s Audited Consolidated Financial Statements are in Chinese only, while English translations of such financial statements have been prepared and included in this Offering Circular for reference only. The Issuer’s Audited Consolidated Financial Statements in Chinese are available on the website of National Interbank Funding Center (<http://www.chinamoney.com.cn/>). None of the Arrangers, the Dealers, the Trustee or the Agents or any director, officer, employee, agent, representative, adviser or affiliate of any such person or any person who controls any of them has independently verified or checked the accuracy of the English translation, nor can any of them give any assurance that the information contained in the English translation of the Issuer’s Audited Consolidated Financial Statements is accurate. Potential investors must exercise caution when using such translated financial information to evaluate the Issuer’s financial condition, results of operations and results.

CAS differs in certain material respects from International Financial Reporting Standards (“IFRS”). For a discussion of certain differences between CAS and IFRS, see “*Summary of Significant Differences between CAS and IFRS*”.

This Offering Circular contains non-generally accepted accounting principles (“**Non-GAAP**”) financial measures that are not required by, or presented in accordance with, IFRS. Non-GAAP financial measures, including the embedded value of the Group, are used for management decision making and internal performance management purposes. Non-GAAP financial measures are not measures of the Group’s performance under IFRS and should be considered together with any performance measures derived in accordance with IFRS or other generally accepted accounting principles. See “*Risk Factors – Risks relating to the Group’s Overall Business – The embedded value of the Group in this Offering Circular is calculated based on, among other things, a number of assumptions used in the calculations and one should not rely on these values as a measure of the Group’s actual value and performance*”.

Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available free of charge during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the specified office of the Issuer set out at the end of this Offering Circular.

CERTAIN DEFINITIONS AND CONVENTIONS

Unless otherwise specified or the context requires, references herein to “**Hong Kong**” are to the Hong Kong Special Administrative Region of the People’s Republic of China, to the “**PRC**”, “**Mainland**”, “**Mainland of China**” and “**Mainland China**” are to the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan, to “**Hong Kong dollars**”, “**HK dollars**” and “**HK\$**” are to the lawful currency of Hong Kong, to “**U.S. dollars**” or “**U.S.\$**” are to the lawful currency of the United States of America, to “**Renminbi**”, “**RMB**” or “**CNY**” are to the lawful currency of the PRC, to “**IFRS**” are to International Financial Reporting Standards issued by the International Accounting Standards Board and to “**CAS**” are to Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance, PRC, on 15 February 2006 and thereafter. In this Offering Circular, where information has been presented in thousands or millions of units, or as percentages, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

SUMMARY

The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should therefore read this Offering Circular in its entirety.

OVERVIEW

Ping An Leasing was incorporated on 27 September 2012 in Shanghai, PRC as a wholly-owned subsidiary of Ping An Insurance with an initial registered capital of RMB0.3 billion. As at 31 December 2020, Ping An Leasing has a registered capital of approximately RMB14.5 billion, which ranked it second within foreign-invested financial leasing companies and third within the financial leasing industry, respectively, in the PRC as at the same date. As at 31 December 2020, the Group has a total assets of approximately RMB278.0 billion, which ranked it first within foreign-invested financial leasing companies and fourth within the financial leasing industry, respectively, in the PRC as at the same date. The Group, headquartered in Shanghai with 20 offices nationwide, was established as a key platform in implementing Ping An Insurance's comprehensive operating strategy and products offering. Ping An Insurance is the largest insurer in the PRC, a Forbes Global 2000 company, and is dually listed on the Hong Kong Stock Exchange (Stock Code: 2318) and the Shanghai Stock Exchange (Stock Code: 601318). Together with its subsidiaries, Ping An Insurance has provided the Group with full support in its business development.

The Group has a strong leasing presence in various business segments, including corporate finance, urban development, engineering and construction, energy and automobile finance, health care and manufacturing. The Group generates income primarily via the following business streams:

- **Core leasing business:** the Group mainly engages in the provision of finance leases, factoring services, and trust loans to its customers;
- **Advisory business:** the Group also provides advisory services to customers mainly in its core leasing business; and
- **Operating lease business:** the Group mainly engages in the leasing of equipments directly purchased by it from the suppliers.

In recent years, with the emergence of a more diverse range of leasing products and a continually improving regulatory environment, the leasing industry has been playing an increasingly important role in the PRC financial system. Since commencing operations in 2012, the Group has weathered economic and industry cycles and regulatory reforms, and gained experience through continual improvement in its business operations, product innovation and exploration of new sectors. The Group has identified key sectors, namely, urban development, energy, and manufacturing industries among others, which have well-developed business model, good asset quality and growth potential, and key customer groups, namely, large and medium-sized, high-quality corporate customers who are market leader in its industry and have a superior record of debt financing repayments, as the primary focus of its core leasing business. The Group also strives to extend its leasing presence by offering its services to small and micro businesses and individuals.

The continued market-oriented reform of the PRC financial industry, increasing demand for customised leasing products and services, the internationalisation of the RMB and favourable government policies have created important opportunities for the leasing industry. The Group's market leading position, strong operating track record, well-developed business model and premier brand name will enable it to seize such opportunities. The extensive experience the Group has gained through economic and industry cycles in the PRC enables it to achieve sustained growth in the next stage of the PRC's economic transformation and continue to maintain its leading position in the fast developing PRC leasing industry. Additionally, with

support from Ping An Insurance, the Group has received high international credit ratings among PRC financial institutions; its superior funding capabilities provide strong support to its business development and help it generate attractive financial returns.

In recognition of its achievements, the Issuer has received numerous awards, which include the following:

- “Charity Impact Award” from 2018 to 2021 by China Charity Festival;
- “Best Employer of the Year” and “Best Talents Developer of the Year” in 2020 by Shanghai Lujiazui Financial City Administration Bureau;
- “Financial Industry Outstanding Contribution Award” from 2015 to 2020 by People’s Government of Pudong New Area, Shanghai;
- “Most Influential Financial Leasing Company” in 2020 by Global Leasing Industry Competitiveness Forum Summit;
- “Excellent Inclusive Financial Innovation Service Platform” in 2020 by *21st Century Business Herald*;
- “1st Optimized Financing Supervision Letter in Leasing Industry” in 2020 by Shanghai Stock Exchange;
- “Annual CSR Award” from 2018 to 2020 by People Corporate Social Responsibility Forum by *People*;
- “Outstanding Bond Issuer” from 2018 to 2020 by the Shanghai Stock Exchange;
- “Outstanding Originator of Asset-backed Securities” from 2018 to 2020 by the Shanghai Stock Exchange;
- “Most Respected Enterprise of the Year Award” from 2017 to 2020 by *The Economic Observer*;
- “The Best Leasing Company” in 2016, 2018 to 2020 by Golden Medal Awards Ceremony of China Financial Institutions;
- “Financial Industry Outstanding Contribution Award” from 2015 to 2020 by the People’s Government of Pudong New Area, Shanghai;
- “The Best Financial Leasing Company” of the 21st Century Business Herald by Golden-Shell Award of China Asset Management from 2017 to 2019;
- “Shanghai Financial Innovation Achievement Award – third prize” by Shanghai Municipal People’s Government in 2018;
- “2018 Chinese Enterprise Organizational Capability Survey Best Practice Award” in 2018 at the third China Enterprise Organizational Capability Research Report Interpretation Conference;
- “2017 China Finance Leasing Company of the Year” by China Finance Leasing Yearly Convention;
- “2017 Most Socially Responsible Leasing Company” by China International Financial Forum;
- “Most Respected Company” in 2017 by *The Economic Observer*, the first financial leasing company which ever won this award since its inception 16 years ago;

- “Top 10 Leading Brands (by Industry) in China” in 2016 by Asian Brand Association;
- “Outstanding Financial Leasing Service Provider of the Year” in 2016 by *The Economic Observer*;
- “Best Financial Leasing Company of the Year” in 2016 by *Financial Times*;
- “Top Ten Chinese Leasing Enterprise” Award in 2014 by China Rental Union; and
- “Top Growth Award” in 2014 by Shanghai Finance Leasing Association.

The past three years’ financial performance of the Group showcased its strong revenue-generating and profit-making capability and its robust and healthy balance sheet and liquidity even under the adverse impact of the Covid-19 pandemic. For the years ended 31 December 2018, 2019 and 2020, the Group’s revenue amounted to approximately RMB15.1 billion, RMB19.7 billion and RMB19.4 billion, respectively. For the years ended 31 December 2018, 2019 and 2020, the Group’s gross profit amounted to approximately RMB4.4 billion, RMB6.0 billion and RMB5.4 billion, with a gross profit margin of 45.1%, 49.9% and 51.9%, and its net profit amounted to approximately RMB3.2 billion, RMB4.4 billion and RMB3.8 billion with a net profit margin of approximately 21.2%, 22.6% and 19.8%, respectively. For the years ended 31 December 2018, 2019 and 2020, the Group managed to have a return on average assets of approximately 1.6%, 1.8% and 1.4% and a return on average equity of approximately 12.4%, 13.3% and 9.8%, respectively.

In terms of its balance sheet and liquidity, as at 31 December 2018, 2019 and 2020, the Group’s total assets amounted to approximately RMB234.7 billion, RMB254.5 billion and RMB278.0 billion and its total equity amounted to approximately RMB29.2 billion, RMB37.6 billion and RMB 41.1 billion, respectively. As at the same dates, the Group’s net long-term receivables (including receivables from the Group’s business of financial leasing, factoring and trust loans) amounted to approximately RMB191.4 billion, RMB 215.8 billion and RMB 246.1 billion, respectively, with a non-performing assets ratio of 0.9%, 1.1% and 1.2% and provision coverage ratio of 190.6%, 174.2% and 196.0%, respectively.

COMPETITIVE STRENGTHS

The Group believes that its success and future prospects are supported by a combination of the following competitive strengths:

- A wholly-owned subsidiary with strategic importance to Ping An Insurance
- Strong earning business model with steady growth potential strategically targeted at superior industries including micro finance and auto finance
- Well-positioned to benefit from the steady growth of the financial leasing industry and from the PRC government’s increasing focus on favourable industry policies
- Prudent leasing management centrally monitored and supported by Ping An Insurance
- Strong financial position with access to diverse sources
- Centralised risk management system and sound corporate governance
- Experienced and professional management team with extensive industry knowledge

BUSINESS STRATEGIES

The Group was established as a key platform in implementing Ping An Insurance's comprehensive operating strategy and products offering and intends to continue the expansion of its presence in domestic and overseas markets while maintaining its core focus in the PRC. To accomplish this, the Group plans to employ the following strategies:

- Strengthening of Ping An Insurance's leasing and asset management platform and promote closer integration between Ping An Insurance and the leasing business
- Improving asset management foundations and customer base to enhance leasing returns and reduce credit risks
- The Group will continue to attract, motivate and cultivate talented employees to support its operations
- Further improve risk management capabilities and actively optimise liability structure
- The Group will continue to expand its investments in the PRC and strategically explore the international markets in order to capture market opportunities and expand its global presence

RECENT DEVELOPMENT

The Recent Coronavirus Epidemic Outbreak

A novel and highly contagious virus causing pneumonia-like illness was detected toward the end of 2019 and was later named by the World Health Organization as COVID-19 in early 2020. Several cities in China were under a lockdown and imposed travel restrictions in an effort to curb the spread of the highly infectious novel coronavirus. The coronavirus outbreak poses potential risks to the business operations and financial condition. See *"Risk Factors – Risks Relating to the Group's Overall Business – The Group may face certain risks associated with the outbreak of COVID-19"* and *"Risk Factors – Risks relating to the PRC – China has experienced a slowdown in its economic development and the future performance of China's economy is uncertain"*. All of Group's projects under development were delayed due to the lengthened Chinese New Year holiday in response to the COVID-19 pandemic.

Starting from February 2020, the suspended projects under development have resumed work. None of projects' overall schedules are expected to be delayed because of such suspension. For the years ended 31 December 2019 and 2020, the Group's revenue was approximately RMB19.7 billion and RMB19.4 billion, respectively, with a recorded gross profit of approximately RMB6.0 billion and RMB5.4 billion and net profit of approximately RMB4.4 billion and RMB3.8 billion, respectively, during the same periods. The Group saw an increase of total owners' equity from RMB37.6 billion to RMB41.1 billion for the years ended 31 December 2019 and 2020 and managed to generate a net amount of RMB5.4 billion in cash and cash equivalent for the year ended 31 December 2020. As such, the Group believes that the COVID-19 pandemic did not have a material impact on the Group's operational and financial conditions for the financial year ended 31 December 2020.

As at 31 December 2018, 2019 and 2020, the Group had cash and bank balances of approximately RMB20.4 billion, RMB10.4 billion and RMB14.8 billion, and non-current assets maturing within one year of approximately RMB68.2 billion, RMB95.4 billion and RMB119.0 billion respectively, against total short-term borrowings of approximately RMB40.3 billion, RMB28.7 billion and RMB34.9 billion, as at the same dates respectively. With such sufficient liquidity, empowered by its sound internal risk management, various financial products offering, superior customer base and continuing support by Ping An Insurance, the Group will continue to closely monitor the global development of the epidemic and actively respond to its impact on the Group's financial conditions and business results.

Finance Lease Business Development

Financial leasing is the principal business activity of the Group. The Group derived its revenue primarily from financial leasing. The Group has identified key sectors which have well-developed business model, good asset quality and growth potential, and key customer groups, namely, large and medium-sized, high-quality corporate customers who are market leader in its industry and have a superior record of debt financing repayments, as the primary focus of its finance leasing business development. The Group has always been striving to steadily build cooperation relationship with market leaders in its targeted businesses sector and finally extend its leasing presence by offering its services to these superior customers. The following table sets out the details of the Group's five largest customers for its finance leasing business as at 31 March 2021:

	Amount	Percent of total financial lease assets value	Contract terms	Annual interest rate	Independent third party
	<i>(RMB in billion)</i>	<i>(%)</i>	<i>(year)</i>		
Customers					
Qingdao Subway Group Co., Ltd. (青島地鐵集團 有限公司)	1.0	0.43	2	4%-5%	Y
Lhasa Construction Investment Management Co., Ltd. (拉薩市城市建 設投資經營有限公司) . .	0.6	0.26	5	8%-9%	Y
Chengdu Wuhou Industry Investment & Development Group Co., Ltd. (成都武侯產業 發展投資管理集團有限 公司)	0.6	0.24	5	6%-7%	Y
Huai'an State Joint Investment Development Group Co., Ltd. (淮安市 國有聯合投資發展集團 有限公司)	0.5	0.23	4	5%-6%	Y
Qingdao Xihai Development (Group) Co., Ltd. 青島西海開發 展(集團)有限公司-.	0.5	0.22	3	5%-7%	Y
Total	<u>3.2</u>	<u>1.39</u>			

For details of the Group's finance lease business and its major customers as at 31 December 2020, please see "Business – Business Streams – Core leasing business – Finance lease".

THE OFFERING

*The following summary is qualified in its entirety by the remainder of this Offering Circular. This summary must be read as an introduction to this Offering Circular and any decision to invest in the Bonds should be based on a consideration of this Offering Circular as a whole, including any information incorporated by reference. Phrases used in this summary and not otherwise defined shall have the meanings given to them in the “Terms and Conditions of the Bonds” (the “**Terms and Conditions**”). For a complete description of the terms of the Bonds, see “Terms and Conditions of the Bonds” in this Offering Circular.*

Issuer	Ping An International Financial Leasing Co., Ltd. (平安國際融資租賃有限公司).
Bonds	U.S.\$ per cent. senior Bonds due
Issue Price per cent.
Form and Denomination	The Bonds will be issued in registered form in the specified denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.
Interest	The Bonds will bear interest on their outstanding principal amount from and including 2021 at the rate of per cent. per annum. Interest on the Bonds will be payable semi-annually in arrear in equal installments of U.S.\$ per Calculation Amount (as defined in the Terms and Conditions) on and in each year, commencing on
Issue Date 2021.
Maturity Date
Status of the Bonds	The Bonds will constitute (subject to Condition 4.1 (<i>Negative Pledge</i>) of the Terms and Conditions) unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4.1 (<i>Negative Pledge</i>) of the Terms and Conditions, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.
Negative Pledge	So long as any Bond remains outstanding (as defined in the Trust Deed), the Issuer will not, and the Issuer will ensure that none of its Subsidiaries will, create or have outstanding, any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Bonds the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

For the purposes of the foregoing paragraph:

a “**Person**” includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of state (in each case whether or not being a separate legal entity);

“**Relevant Indebtedness**” means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures or other securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market, and are initially issued, offered or distributed outside the PRC; and

“**Subsidiary**” means, in respect of any Person, any entity whose financial statements at any time are required by law, or in accordance with generally accepted accounting principles, of the jurisdiction of incorporation of such Person to be fully consolidated with those such Person.

Final Redemption Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on (the Maturity Date).

Tax Redemption. The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Bondholders (in accordance with Condition 16 (*Notices*) of the Terms and Conditions) and to the Trustee and the Principal Paying Agent in writing (which notice shall be irrevocable), at their principal amount, together with interest accrued to but excluding the date fixed for redemption, if the Issuer satisfies the Trustee immediately prior to the giving of such notice that:

- (i) it has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 2021; and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due, as further described in Condition 6.2 (*Redemption for Taxation Reasons*) of the Terms and Conditions.

Redemption of Relevant Event. . . .	<p>Following the occurrence of a Relevant Event, the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of such holder's Bonds on the Settlement Date at 101 per cent. (in the case of a redemption of a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together in each case with interest accrued to but excluding the Put Settlement Date, as further described in Condition 6.3 (<i>Redemption for Relevant Event</i>) of the Terms and Conditions.</p> <p>A "Change of Control" occurs when Ping An Insurance Group does not or ceases to, at any time, own or control, whether directly or indirectly, at least 75 per cent. of the issued share capital of the Issuer.</p> <p>A "No Registration Event" occurs when the Registration Condition is not satisfied on or before the Registration Deadline.</p>
Withholding taxes	<p>All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the PRC or any authority therein or thereof having power to tax, save as provided in specified circumstances set out in Condition 8 (<i>Taxation</i>) of the Terms and Conditions.</p>
Events of Default.	<p>Upon the occurrence of certain events as described in Condition 9 (<i>Events of Default</i>) of the Terms and Conditions, the Trustee at its discretion may, and if so requested in writing by holders of at least 25 per cent. in aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall (provided in any such case that the Trustee shall have been indemnified and/or secured and/or prefunded to its satisfaction), give notice in writing to the Issuer that the Bonds are, and they shall immediately become, due and payable at 100 per cent. of their principal amount together (if applicable) with accrued interest.</p>
Cross Default.	<p>The Bonds will contain a cross default provision as further described in Condition 9(iii) (<i>Events of Default – Cross Default</i>) of the Terms and Conditions.</p>
Clearing Systems	<p>The Bonds will be represented by beneficial interests in a global certificate (the "Global Certificate") in registered form, which will be registered in the name of a nominee for, and shall be deposited on or about the Issue Date with, a common depository for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except in the limited circumstances described in the Global Certificate, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.</p>
Security Codes.	<p>The ISIN of the Bonds is XS2355595443.</p>

The Common Code of the Bonds is 235559544.

Governing Law	English law.
Jurisdiction	Exclusive jurisdiction of Hong Kong courts.
Trustee	The Bank of New York Mellon, London Branch.
Principal Paying Agent	The Bank of New York Mellon, London Branch.
Registrar and Transfer Agent . . .	The Bank of New York Mellon SA/NV, Dublin Branch.
Listing	Application will be made to the HKSE for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only.
Rating	The Bonds will not be rated.
Use of Proceeds	See the section entitled “ <i>Use of Proceeds</i> ”.
Selling Restrictions	See the section entitled “ <i>Subscription and Sale</i> ”.
LEI	6556006AE2PTAEC8R04

SUMMARY CONSOLIDATED FINANCIAL AND OTHER INFORMATION OF THE ISSUER

The summary consolidated financial information of the Issuer as at and for the years ended 31 December 2018, 2019 and 2020 set forth below is derived from and should be read in conjunction with the Issuer's 2019 Audited Consolidated Financial Statements and the Issuer's 2020 Audited Consolidated Financial Statements, included elsewhere in this Offering Circular. The Issuer's Audited Consolidated Financial Statements were prepared and presented in accordance with CAS and have been audited by PricewaterhouseCoopers Zhong Tian LLP.

CAS is substantially in line with IFRS, except for certain modifications which reflect the PRC's unique circumstances and environment. For a summary of certain differences, see "*Summary of Significant Differences between CAS and IFRS*".

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(All amounts in RMB Yuan unless otherwise stated)

	For the year ended 31 December		
	2018	2019	2020
	(Audited)	(Audited)	(Audited)
Revenue	15,148,195,466	19,668,143,174	19,423,395,627
Less: Cost of sales	(8,309,248,672)	(9,847,021,513)	(9,338,377,574)
Taxes and surcharges	(83,506,165)	(84,079,819)	(72,950,253)
Operational and administrative expenses	(2,193,280,091)	(2,714,486,972)	(2,739,102,885)
Exchange (losses)/gains	(42,908,730)	(24,004,892)	12,202,955
Add: Other income	446,104,222	575,090,196	594,631,602
Investment income	438,969,321	900,348,119	222,257,419
Gains/(Losses) on net exposure hedge	(14,100,865)	(121,521,801)	(116,005,206)
Gains/(Losses) on changes in fair value	412,396,622	(449,515,202)	(139,513,978)
Credit impairment losses	(1,417,331,565)	(1,916,730,543)	(2,468,277,462)
Asset impairment losses	(8,242,073)	(5,871,128)	(9,159,037)
Losses on disposal of assets	(1,085,133)	5,342,020	9,226,718
Operating profit	4,375,962,337	5,985,691,639	5,378,327,926
Add: Non-operating income	29,438	1,390,890	20,770,815
Less: Non-operating expenses	(7,156,987)	(17,450)	(2,550,704)
Total profit	4,368,834,788	5,987,065,079	5,396,548,037
Less: Income tax expenses	(1,152,859,297)	(1,548,351,383)	(1,550,234,062)
Net profit	3,215,975,491	4,438,713,696	3,846,313,975
Classified by continuity of operations			
Net profit from continuing operations	3,215,975,491	4,438,713,696	3,846,313,975
Classified by ownership of the equity			
Attributable to equity owners of the Company	3,215,975,491	4,439,327,312	3,853,275,488
Minority interests	—	(613,616)	(6,961,513)
Other comprehensive income, net of tax			
Attributable to equity owners of the Company	(47,088,217)	(148,342,953)	219,901,335
Other comprehensive income items which will be subsequently reclassified to profit or loss			
Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit and loss	(59,963)	(215,025)	26,432,182
Effective portion of gains or losses on hedging instruments in a cash flow hedge	15,484,182	(87,888,533)	(26,405,511)
Differences on translation of foreign currency financial statements	(62,512,436)	(60,239,395)	219,874,664
Total comprehensive income	3,168,887,274	4,290,370,743	4,066,215,310
Attributable to equity owners of the Company	3,168,887,274	4,290,984,359	4,073,176,823
Attributable to minority interests	—	(613,616)	(6,961,513)
Other Financial Data (unaudited)			
EBITDA ⁽¹⁾	11,802,464,886	14,846,494,821	13,177,542,538
EBITDA margin ⁽¹⁾	0.78	0.75	0.68

Notes:

(1) EBITDA equals to the sum of profit before income tax, interest expenses, depreciation, amortization expenses on investment properties and amortization expenses on intangible assets. EBITDA is not a standard measure under CAS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of the Group's operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expense or other non-operating cash expenses. In evaluating EBITDA, Investors should consider, among other things, the components of EBITDA such as revenue and selling and distribution expenses and administrative expenses and the amount by which EBITDA exceeds capital expenditures and other charges. EBITDA has been included herein because the Group believes it is a useful supplement to cash flow data as a measure of the Group's performance and the Group's ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare the Group's EBITDA to EBITDA presented by other companies because not all companies use the same definition.

(2) EBITDA margin is calculated by dividing EBITDA by revenue.

CONSOLIDATED BALANCE SHEET
(All amounts in RMB Yuan unless otherwise stated)

	As at 31 December		
	2018	2019	2020
	(Audited)	(Audited)	(Audited)
Assets			
Cash at bank and on hand	20,375,136,907	10,381,275,732	14,826,945,738
Financial assets held for trading	461,219,394	9,489,439,374	3,885,352,006
Buying back the sale of financial assets	—	—	499,900,000
Notes receivables	750,675,109	795,118,981	583,959,505
Accounts receivables	3,670,097	26,781,952	43,126,638
Derivative financial assets	121,455,857	108,107,897	7,684,939
Other receivables	1,069,430,714	5,636,312,163	1,149,653,271
Inventories	51,926,882	10,553,814	30,067,803
Other current assets	88,388,356	382,399,237	392,370,501
Non-current assets maturing within one year.	68,194,896,515	95,421,102,953	119,008,114,921
Long-term receivables	123,187,572,842	120,376,941,649	127,117,177,228
Advances to suppliers	109,093,621	175,947,449	107,903,035
Long-term equity investments	980,283,083	1,865,059,519	2,244,859,086
Other non-current financial assets	7,907,745,031	2,144,951,610	957,091,911
Fixed assets	6,342,716,905	964,810,877	990,020,097
Construction in progress	—	207,809,992	191,439,429
Right of assets	—	—	426,029,870
Intangible assets	61,185,724	88,526,636	95,802,039
Development costs	37,007,321	31,484,973	30,703,767
Goodwill	—	512,496	512,496
Long-term prepaid expenses	207,127,252	341,611,675	1,356,802,534
Deferred tax assets	1,933,097,450	2,035,885,332	2,354,686,035
Other non-current assets	2,858,450,609	4,001,886,840	1,660,804,411
TOTAL ASSETS	234,741,079,669	254,486,521,151	277,961,007,260
Liabilities			
Short-term borrowings	40,343,859,901	28,736,945,993	34,870,166,607
Notes payables	5,016,174,123	3,802,420,287	4,738,177,472
Accounts payables	410,938,658	467,940,543	2,086,697,699
Advance from customers	845,794,088	398,285,783	344,008,579
Contract liabilities	640,951,249	69,578,213	31,274,438
Employee benefits payable	672,033,578	802,197,856	894,556,155
Taxes payable	1,224,217,254	987,358,174	1,051,446,738
Derivative financial liabilities	42,318,559	121,043,253	502,103,427
Short-term bonds payable	36,585,998,681	27,542,615,275	36,943,170,644
Other payables	7,158,183,018	11,321,227,322	16,912,101,448
Non-current liabilities maturing within one year.	28,398,385,000	34,622,406,095	37,370,771,511
Long-term borrowings	37,864,834,898	44,445,594,306	40,892,839,232
Bonds payable	22,885,409,086	39,110,782,817	40,395,988,574
Including: Perpetual bonds	2,189,146,009	2,096,932,289	—
Lease liabilities	—	—	453,996,153
Deferred income	—	471,718,519	408,759,263
Long-term payables	19,644,298,471	19,015,560,449	16,403,001,162
Deferred tax liabilities	64,981,692	3,222,013	—
Other non-current liabilities	3,702,860,771	4,964,804,328	2,549,629,732
TOTAL LIABILITIES	205,501,239,027	216,883,701,226	236,848,688,834
Owners' equity			
Paid-in capital	12,251,700,410	13,634,810,443	14,237,991,266
Other equity instruments	9,036,387,714	11,474,424,122	11,606,815,013
Including: Perpetual bonds	9,036,387,714	11,474,424,122	11,606,815,013
Capital surplus	1,084,819,351	1,821,693,044	1,159,898,640
Surplus reserve	420,028,990	537,109,439	732,998,695
Other comprehensive income	(18,946,760)	(167,289,713)	52,611,622
Undistributed profits	6,465,850,937	10,291,600,610	13,318,492,723
Total equity attributable to equity owners of the Company	29,239,840,642	37,592,347,945	41,108,807,959
Minority interests	—	10,471,980	3,510,467
TOTAL OWNERS' EQUITY	29,239,840,642	37,602,819,925	41,112,318,426
TOTAL LIABILITIES AND OWNERS' EQUITY	234,741,079,669	254,486,521,151	277,961,007,260

RISK FACTORS

Prior to making any investment decision, prospective investors should consider carefully all of the information contained in this Offering Circular, including the risks and uncertainties described below. Each of the Issuer and the Group believes that the following factors may affect the Issuer's ability to fulfil its obligations under the Bonds. Additional considerations and uncertainties not presently known to each of the Issuer or the Group or which each of them currently deems immaterial may also have an adverse effect on an investment in the Bonds. All of these factors are contingencies which may or may not occur and each of the Issuer and the Group is not in a position to express a view on the likelihood of any such contingency occurring. Any of the risks or uncertainties described below, as well as additional risks or uncertainties, including those which are not currently known to the Issuer or the Group or which the Issuer or the Group currently deems to be immaterial, may affect the Issuer's business, financial condition or results of operations or their ability to fulfil its obligations under the Bonds.

RISKS RELATING TO THE GROUP'S BUSINESS

Any inability to effectively mitigate credit risk and maintain the Group's asset quality may have a material adverse impact on the Group's business, financial condition and results of operations.

The sustainability of the Group's business and future growth depends largely on its ability to effectively manage its credit risk and maintain the quality of its receivables portfolio. As at 31 December 2018, 2019 and 2020, the Group has an amount of long-term receivables of approximately RMB123.2 billion, RMB120.4 billion and RMB127.1 billion, respectively, and non-current assets maturing within one year of approximately RMB68.2 billion, RMB 95.4 billion and RMB119.0 billion, respectively, with the sum of both representing approximately 81.5%, 84.8% and 88.5% of its total assets as at the same dates. As such, any deterioration in its asset quality or impairment in the collectability of lease receivables could materially and adversely affect its results of operations. The Group's non-performing assets to total interest-bearing assets generate from its core leasing business ratio as of 31 December 2018, 2019 and 2020 was 0.9 per cent., 1.1 per cent. and 1.2 per cent., respectively. The Group may not be able to effectively control the level of its non-performing assets in its current lease receivables portfolio or effectively control the level of new non-performing assets in the future. The amount of the Group's non-performing assets may increase in the future due to a substantial increase in its lease contract value, a deterioration in the quality of its lease receivables portfolio, or a decline in the quality of future receivables.

The quality of the Group's lease receivables portfolio may deteriorate for a variety of reasons, including factors beyond its control, such as a slowdown in the economic growth of the PRC or global economies, a recurrence of a global credit crisis or other adverse macroeconomic trends, as well as a slowdown in any industries in which the Group primarily engages which may cause operational, financial and liquidity problems for its customers thereby affecting their ability to make timely lease payments. If the level of its impaired lease receivables increases, the Group's business, financial condition and results of operations may be materially and adversely affected.

The Group's financial leasing businesses are capital intensive with long payback periods and the Group may not be able to maintain sufficient liquidity to meet its business needs.

The Group is primarily engaged in equipment leasing, all of which typically require significant initial cash outlays and have long payback periods. Due to the capital intensive nature of its business operations, a substantial amount of capital as well as ongoing funding activities are required to support the growth of the Group's lease receivables portfolio, as well as to fund future expansion. Although the Group generally generates significant funds from its operations, continuing to meet its cash requirements over the long-term requires substantial liquidity and access to sources of funds. The Group primarily funds its operations and expansion through both domestic and foreign bank loans and cash flow from its operations. As at 31 December 2018, 2019 and 2020, the aggregate amount of interest-bearing borrowings of the Group were approximately RMB162.2 billion, RMB169.1 billion and RMB184.6 billion, with short-term

borrowings of approximately RMB40.3 billion, RMB28.7 billion and RMB34.9 billion, respectively. Meanwhile, as at 31 December 2018, 2019 and 2020, the Group had cash and bank balances of approximately RMB20.4 billion, RMB10.4 billion and RMB14.8 billion, respectively. If there are changes in international and/or domestic macroeconomic conditions and policies, or if the Group fails to maintain its existing and future loan arrangements on commercially acceptable terms, there is no guarantee that the Group will be able to continue to obtain adequate funding in the future on reasonable commercial terms, or at all. If sufficient financing is not available to meet its needs, or cannot be obtained on commercially acceptable terms, the Group may not be able to refinance its existing portfolio, fund the operation and/or expansion of its business, introduce new services or compete effectively.

The Group has substantial indebtedness and may incur additional indebtedness. The Group is subject to refinancing risks associated with its existing indebtedness, which would affect its ability to satisfy its obligations under the Bonds and other debts.

The Group has, and will continue to have after the offering of the Bonds, a substantial amount of indebtedness. As at 31 December 2018, 2019 and 2020, the aggregate amount of interest-bearing borrowings of the Group were approximately RMB162.2 billion, RMB169.1 billion and RMB184.6 billion, with short-term borrowings of approximately RMB40.3 billion, RMB28.7 billion and RMB34.9 billion. Meanwhile, as at 31 December 2018, 2019 and 2020, the Group had cash and bank balances of approximately RMB20.4 billion, RMB10.4 billion and RMB14.8 billion, respectively.

The abovementioned indebtedness could have important consequences to investors. For example, it could

- limit the Group's ability to satisfy its obligations under the Bonds and other debt in the event the Group is unable to refinance all or a portion of its debt on or before maturity;
- increase the Group's vulnerability to adverse general economic and industry conditions;
- require the Group to dedicate a substantial portion of its cash flow from operations to servicing and repaying indebtedness, thereby reducing the availability of cash flow to fund working capital, capital expenditures and for other general corporate purposes;
- limit the Group's flexibility in planning for or reacting to changes in its businesses and the industry;
- limit, along with the financial and other restrictive covenants of the Group's indebtedness, its ability to borrow additional funds; and
- increase the cost of additional financing.

The Group is subject to refinancing risks with respect to its existing indebtedness, in particular, the short-term borrowings due within one year. The Group's ability to refinance its short-term borrowings may be materially and adversely affected if, for example, its leasing income fails to grow as expected or the Group are unable to negotiate new bank loans on favourable terms or at all. If the Group is unable to refinance any of its existing debts, it could materially and adversely affect the ability to satisfy its obligations under the Bonds and other debts. The Group can give no assurances that it will be able to refinance its existing indebtedness on or before maturity on favourable terms or at all.

The Group may from time to time incur additional indebtedness and contingent liabilities, including by ways of notes offerings and/or the offering of asset backed securities. If the Group or its subsidiaries incur additional debt, it could face additional risks.

In addition, certain of the Group's financing arrangements also impose operating and financial restrictions on its business. Such restrictions may impair its ability to react to changes in market conditions, take advantage of business opportunities, obtain future financing, fund required capital expenditures, or withstand a continuing or future downturn in business. Any of these factors could materially and adversely affect the Group's ability to satisfy its obligations under the Bonds and other debts.

Increases in the cost of funding may adversely affect the Group's financial results.

Interest rate fluctuations and changes in the cost of funding may have a significant influence on the financial performance of the Group. Any increase in financing cost will have a negative impact on the Group's profitability. A significant part of the Group's financings are denominated in floating interest rate. Therefore, interest rate is a major factor of any increase in cost of funding. In addition, there have been reports that the People's Bank of China and United States Federal Reserve may raise interest rates in the near future as the pandemic of Covid-19 is increasingly under control in the PRC, the United States and worldwide, which may continue to cause interest rates to rise generally. Other factors that may affect the cost of funding include the credit ratings of the Group, and the efficiency of its liquidity management. Many of these factors are beyond the Group's control but can limit its ability to use bank borrowings or trust and other borrowings to finance its financial products offering. As such, an increase of funding costs have a direct effect on the Group's profitability and sustained increased funding costs will materially and adversely affect the Group's results of operations.

The Group may face certain risks associated with the outbreak of COVID-19.

Since early 2020, the PRC and a growing number of countries and regions around the world have encountered an outbreak of COVID-19, a highly contagious disease known to cause respiratory illness. On 30 January 2020, WHO declared that the outbreak of COVID-19 constitutes a Public Health Emergency of International Concern, and on 12 March 2020, WHO declared COVID-19 outbreak a pandemic. The outbreak of COVID-19 has endangered the health of many people in and outside of China, resulting in numerous confirmed cases and deaths and significantly disrupted travels and local economies in and outside of China. To prevent further transmission of COVID-19, the PRC Government had adopted a series of measures nationwide, including among others, restrictions on enterprises from resuming work, traffic control and travel bans.

Such adverse epidemics may severely affect and restrict the level of economic activity in China as the local government in the regions the Group operate may impose regulatory or administrative measures quarantining affected areas or other measures to control the outbreak of the infectious disease, which together with the disruption of business in major industries may adversely affect the overall business sentiment and environment in China, which in turn may lead to slower overall economic growth in China. Any contraction or slowdown in the economic growth of China could adversely affect the Group's business, financial condition, results of operations and prospects.

In addition, COVID-19, or any other adverse public health developments, are likely to have an adverse impact on the livelihood of the people and the economy of the PRC and may, in turn, adversely impact the demand for finance leases in the PRC. The outlook of the various business segments including healthcare, manufacturing, corporate finance, urban development, engineering and construction, energy, automobile finance, and small and micro enterprise finance, economy slowdown and/or negative business sentiment could potentially have an indirect impact on the demand for finance leases and the Group's business operations and financial condition may be adversely affected.

The spread of any severe communicable disease in China may also affect the financial condition, or as the case may be, business operations of the Group's customers and other business partners, which could in turn adversely affect the Group's business, financial condition, results of operations and prospects.

The Group is uncertain as to when the outbreak of COVID-19 will be fully contained, and the Group also cannot predict if the impact will be short-lived, recurring or long-lasting. If the outbreak of COVID-19, or any similar adverse public health developments, is not effectively controlled, the Group's business operations and financial condition may be materially and adversely affected.

The Group had experienced negative cash flow from operations for the years ended 31 December 2018, 2019 and 2020 and it may not be able to timely obtain sufficient financing.

Finance lease company requires substantial capital investment and it is not unusual for a finance lease company to generate negative operating cash flow over a particular period when the cash outlay for lease asset expenditures during that period, after offsetting changes in other working capital items, exceeds the cash inflow from lease rental over the same period. The Group experienced significant fluctuation in its cash flow from operating activities for the years ended 31 December 2018, 2019 and 2020 as the Group is expanding its assets portfolio, and the capital investment on lease assets is greater than the rate of return from lease rental. For the years ended 31 December 2018, 2019 and 2020, the Group has negative cash generated in operating activities of RMB22.2 billion, RMB11.7 billion and RMB7.1 billion, respectively. The Group therefore may require external funding to expand its business and to acquire lease assets. However, the Group cannot assure you that such funds will be sufficient or that any additional external financing can be obtained on satisfactory or commercially reasonable terms, or at all.

The Group operates in a highly competitive market.

The PRC financial leasing industry has developed rapidly and is highly competitive. Although the PRC financial leasing industry still has great growth potential, there can be no assurance that The Group will be in an advantageous position in light of the intensifying competition.

The Group competes primarily with financial leasing companies in the PRC. Some of these companies may have greater management, technology and financial resources, larger sales network, stronger customer relations, lower finance costs or higher risk tolerance as compared to The Group, and they may be able to offer more favorable financing terms to customers than The Group does. If The Group is not able to effectively compete with these financial leasing companies, its market share may decrease and its business, results of operations, financial condition and prospects may be adversely affected.

The Group also competes with commercial banks and other financial institutions. For instance, it competes directly with commercial banks in the PRC in the provision of factoring and financial services. In terms of innovative financial products and Internet-based financial products, commercial banks, small loan companies, consumer finance companies and Internet finance companies may be able to provide customers with more favorable financing terms and better customer experience than it does.

The Group continues to receive financial support from Ping An Insurance since its inception, however the repayment obligations under the Bonds remain the Group's sole obligation.

The Group received support from Ping An Insurance and its relevant subsidiaries and departments. These supports include, among others, capital injections, provisions of business opportunities and guidance on its major business decisions, strategies and communications with local governmental authorities. The Group received the initial capital injection in the form of cash at the time of its establishment, and have received periodic capital injections afterwards from Ping An Insurance and its subsidiaries totalling RMB14.5 billion in terms of registered capital as at the date of this Offering Circular. For further details over Ping An Insurance's capital injection into the Group from its inception, see "*Business – Corporate History*". Subject to the economic and market conditions, Ping An Insurance may adjust its business strategies accordingly and may reduce its financial support to the Group, such as investing more on other businesses that it holds or reducing its shares in it.

While the Group continues to receive financial support from Ping An Insurance, the repayment obligations under the Bonds remain the Group's sole obligation and the Group's financial conditions remain independent from Ping An Insurance according to the applicable PRC Laws, and Ping An Insurance's ownership and control of the Group does not obligate Ping An Insurance and its subsidiaries to provide any assurance or guarantee on the repayment of the Bonds.

The Group is subject to risks related to default payments and breaches by its lessees or other contractual counterparties.

The Group's success is dependent upon the ability of its lessees to perform their contractual obligations under the leases. The ability of each lessee to perform its contractual obligations is, in turn, dependent on its financial condition and cash flow. If a lessee defaults, there can be no assurance that any security deposits paid under the lease will be adequate to cover the lessee's unpaid lease obligations, or that the maintenance reserves collected during the lease term will be sufficient to cover the Group's maintenance expenses or the costs of re-leasing the relevant assets.

Moreover, in respect of certain parts of the Group's equipment leasing business, it is primarily the responsibility of the lessees to maintain such equipment and the respective records thereof in accordance with the manufacturers' recommended maintenance programmes and to comply with all governmental regulatory requirements. The maintenance of such equipment during the lease term and their condition at the maturity of the lease may affect their future rental or value. Failure of the lessee to perform required or recommended maintenance may also result in the equipment being rendered inoperative, which may result in the Group incurring substantial costs to restore the equipment to an acceptable condition prior to the sale of the equipment, and thus may have an adverse effect on the Group's business, financial condition and results of operations.

The Group is subject to various PRC and overseas regulatory requirements and the Group's failure to comply with such requirements, could materially and adversely affect its business, financial condition, results of operations and reputation.

PRC regulatory authorities such as the CBIRC and other overseas regulatory authorities oversee the Group's compliance with applicable regulatory requirements and guidelines. From time to time, weaknesses in certain areas of the Group's operations, such as risk management and internal controls may be identified, which may result in sanctions, fines or penalties being imposed on the Group. There can be no assurance that the Group will be able to comply with all such requirements and guidelines at all time or that the Group will not be subject to sanctions, fines or other penalties in the future as a result of non-compliance. If sanctions, fines and other penalties are imposed on the Group for its non-compliance, the Group's business, financial condition, results of operations and reputation may be materially and adversely affected.

Also, there can be no assurance that existing policies, laws and regulations governing the financial leasing industry will not change in the future or that any such changes will not materially and adversely affect the Group's business, financial condition and results of operations nor can there be any assurance that the Group will be able to adapt to all such changes on a timely basis.

In addition, the industries in which the Group's customers operate are subject to domestic and international regulatory controls. The regulatory authorities can suspend or revoke the licence granted to the Group's customers to operate their businesses for failure to comply with these regulations, which may result in the interruption of business. If the business activities of any of the Group's lessees are disrupted due to failure to meet regulatory requirements or sanctions, the ability of such lessees to meet their lease obligations towards the Group may be adversely affected.

Furthermore, regulatory requirement and approvals may affect the Group's ability in the sale of the equipment. For example, regulatory approvals are required for the import, re-export, deregistration or registration of certain equipment in various jurisdictions. Certain jurisdictions set maximum age limits for the equipment being imported or registered. Subsequent changes in applicable laws may modify such requirements, or approvals previously granted may be withdrawn. These changes may adversely affect the ability of the Group to sell such equipment and may impair the values thereof and thus have an adverse effect on the Group's financial performance and its ability to meet its financial obligations.

The Group may be involved in legal and other proceedings arising out of its operations from time to time and may face significant liabilities as a result.

The Group may be involved in disputes with various parties involved in the development and offering of its finance leasing business, including contractors, suppliers, financial institutions, customers or other business partners. These disputes may lead to legal or other proceedings and may result in substantial costs and diversion of resources and management's attention. In addition, the Group may have disagreements with regulatory bodies in the course of its operations, which may subject it to administrative proceedings and unfavourable decrees that results in pecuniary liabilities and cause delays to its finance leasing services offering and business developments. From time to time, its officers and management may be parties to litigation or other legal proceedings. Even though the Group may not be directly involved in such proceedings, such proceedings may affect its reputation and, consequently, adversely impact its business and financial position.

Any deficiencies in the Group's risk management and internal control systems may materially and adversely affect the Group's business, financial condition and results of operations.

The Group has implemented a prudent risk management system to protect the long-term interests of its shareholders, customers and employees. However, the Group's risk management systems and internal control policies may not be effective in mitigating its exposure to all types of risk, including unidentified or unanticipated risks. Some risk management and control methods are based upon historical market behaviour and past events. As such, the Group may not be able to adequately identify or estimate future risk exposures, which could be significantly greater than indicated by measures based on historical data. Other risk management methods depend on evaluation of information regarding markets, customers or other relevant matters, which may be inaccurate, incomplete, obsolete or improperly evaluated. For instance, the information infrastructure in the PRC is still under development and there is no extensive and unified nationwide credit information system. As such, the Group is only able to rely on publicly available resources and its internal resources to assess credit risks associated with a particular customer. Such assessment may not be based on complete, accurate or reliable information. Furthermore, as the Group enters into new industry sectors, expands into new customer segments or develops additional product and service offerings, it may not be in a position to adequately identify, predict and manage future risk exposures.

In addition, management of operational, legal or regulatory risks requires various sets of policies and procedures in order to accurately record and verify a large number of transactions and events. Such policies and procedures may not be fully effective. Any failure of the Group's risk management procedures or any failure to identify applicable risks may have a material adverse effect on its results of operations and financial condition.

Any decrease in the residual value of the equipment that the Group finances could adversely affect its business, financial condition and results of operations.

Declines in the residual value of the equipment financed by the Group may reduce the Group's earnings. The Group recognises the residual value of leased equipment (which is the estimated future market value of the leased asset) at the maturity of the lease. The Group estimates the residual value of leased asset at the inception of a lease based on a number of factors, including historical sale prices, management's experience and any known significant market and product trends. If the estimated market value of the Group's leased assets declines significantly due to economic factors, obsolescence or other adverse circumstances, the Group may not realise the expected residual value of the leased asset, which could adversely affect the Group's business, financial condition and results of operations.

Fluctuations in the prices of leased equipment may materially and adversely affect the Group's financial leasing business.

The Group's portfolio of financial leasing assets comprises various types of equipment. Fluctuations in the prices of such leased equipment may adversely affect its leasing business. If there is a significant increase in the prices of leased equipment, lessees' demands for such equipment may drop, which could in turn lead to lower demands for its leasing services. In addition, if the lessee defaults on its payment obligations, the Group may have to dispose of the leased equipment at a price significantly lower than the purchase price, which could have a material adverse impact on the Group's business, results of operations, financial condition and prospects.

Any mismatch of the maturity profile of the Group's assets and liabilities will impact its liquidity, debt repayment ability and financing capabilities, which could have a material and adverse effect on its business, results of operations, financial condition and prospects.

The Group's business is capital intensive which requires substantial working capital and stable financing channels to support its day-to-day business operations. In addition to the cash generated from its business operations, the Group's major funding sources include borrowings since its inception. The Group maintained a relatively high level of liabilities to assets ratio and a significant portion of its accounts receivables are restricted assets which is not freely disposable for debt repayment. The Group strives to effectively match the maturity profile of its assets and liabilities to manage liquidity risk. Since its inception, the Group did not experience any liquidity difficulties due to any maturity mismatch between assets and liabilities. However, there can be no assurance that the Group will not experience any such liquidity difficulty due to maturity mismatch in the future. Failure to effectively match the maturity profile of the Group's assets and liabilities may lead to a liquidity shortage, or the Group's inability to repay its matured debts or obtain additional financing. If any of the above occurs, the Group's business, results of operations, financial condition and prospects may be materially and adversely affected.

The value of collateral and guarantees and assets underlying the Group's leases which are disposed of upon repossession may not be sufficient or fully realisable.

In addition to its ownership in the assets underlying the leases, the Group requires certain lessees to provide guarantees or collateral to secure its account receivables. For secured account receivables, in case of any material default, the Group is entitled to enforce claims in respect of any collateral or guarantee pursuant to the contract, and/or repossess and dispose of the assets underlying the lease to realise their value.

The value of collateral and/or assets underlying the leases may decline significantly, or even decline to a level below the outstanding principal of and interests on receivables, due to various factors (damage, loss, oversupply, devaluation or shrinking market demand). Similarly, for guaranteed leases, the financial condition of guarantors may materially deteriorate due to various reasons, which in turn may result in a significant decrease in the recoverable amount of such guarantee.

The Group's policies require periodic internal review of collateral, guarantees and assets underlying its leases for impairment testing purposes. If the value of collateral, guarantees or assets underlying the leases to be disposed of is proved to be insufficient to cover the relevant receivables, the Group may require its customers or other sources to provide additional security. However, the Group cannot assure you that it could always obtain such additional security. Any decline in the value of such collateral, guarantees or assets underlying the Group's leases or the Group's inability to obtain additional security may result in impairment losses and require the Group to make additional impairment provisions against its lease receivables, which may in turn materially and adversely affect its business, financial condition and results of operations.

Furthermore, the procedures for liquidating or otherwise realising the value of collateral in the form of non-monetary assets may be protracted, and it may be difficult to enforce claims in respect of such collateral. Under relevant laws and regulations, the Group's rights to the collateral securing its loans may be subordinated to certain third-party rights under certain circumstances, and thus preventing it from recovering all or part of the principal of and interest on the secured loans. If the Group fails to realise the value of collateral, guarantees and assets underlying the leases to be repossessed and disposed of in a timely manner, its asset quality, results of operations, financial condition and prospects may be materially and adversely affected.

The Group may be exposed to additional risks as it expands into new businesses, industries and regions.

The Group plans to re-evaluate its business strategies on a regular basis and expand into new business, industry or region when appropriate, in order to cater to the evolving demand of its customers and adapt to the changing dynamics of the PRC financial leasing industry. The Group may find that its expansion strategy by targeting industry leaders and key markets may be more costly than it has anticipated and may not ultimately result in commensurate increases in its total revenue and net profit, as such, the Group may not ensure that, after carrying out such expansion strategy, it will continue to be profitable on a consolidated basis going forward. Even in the event that the Group continues to grow and expand in steady progress, it may encounter challenges in managing the increased scale of business operation in the future, including possible deficiencies in its internal controls and risk management system. Moreover, as the Group pursues further its expansion strategy in the PRC, it is expected that significant expenses would be incurred by the Group, which may include expenses related to marketing, recruitments, and interests of borrowings from banks and other financial institutions to finance transactions, before corresponding revenue and positive operating cash flow can be generated.

If the Group is not able to effectively cope with the above risks, it may not be able to achieve the business strategic objectives as planned, and in turn its business, results of operations, financial condition and prospects may be materially and adversely affected.

The Group may not be able to successfully enforce its rights to the underlying collateral or guarantees to its leases, or enforce its rights to repossess leased assets.

In the PRC, the procedures for liquidating or otherwise realising the collateral value of tangible assets and the procedures for enforcing the Group's rights to a guarantee or to repossess and dispose of the asset underlying its leases could be time-consuming (the whole process may take three to six months or longer) and in practice it may be difficult to realise such collateral value, enforce the guarantee or repossess and dispose of assets underlying the Group's leases. Although the Group could apply to a PRC court in accordance with the PRC Civil Procedure Law for the attachment or disposal of any underlying collateral, the enforcement of a guarantee or the repossession of the assets underlying the Group's leases upon default, it is uncertain whether any judgment made by local courts would be enforceable due to uncertainties of the PRC legal system governing such enforcement. In addition, under PRC law, the Group's rights to any collateral securing its leases may be subordinated to other claims. For example, according to the PRC Bankruptcy Law, claims for the amount that a company in bankruptcy owed its employees prior to 27 August 2006 (being the date of publication of the PRC Bankruptcy Law), including but not limited to salaries, medical insurance and pension benefits, will have priority over the Group's rights to collateral, if not adequately provided for in liquidation proceedings. Therefore, upon any default of any lessee or any guarantor under the Group's, if the Group is unable to successfully enforce its right in respect of any collateral or any guarantee related to any assets underlying its leases to be repossessed and disposed of on a timely basis, it may have a material adverse effect on its asset quality, business, financial condition or results of operations.

The Group's provisions for impairment losses on lease receivables may not be adequate to cover future credit losses, and may have a material adverse impact on its business, financial condition and results of operations.

The Group makes provisions for impairment losses on lease receivables in accordance with CAS. As at 31 December 2018, 2019 and 2020, the Group's consolidated impairment provision on lease receivables were approximately RMB3.3 billion, RMB4.1 billion and RMB6.1 billion, respectively, representing 190.6 per cent., 174.2 per cent. and 196.0 per cent. of the Group's total non-performing assets, respectively, for the same periods. This reflected both the growth of the Group's business operations and its approach to provisions in view of its risk management and the macroeconomic environment. The amount of provisions for impairment losses on the the Group's lease receivables is determined on the basis of its internal provisioning procedures and guidelines taking into account a number of factors, such as the nature and industry-specific characteristics of the the Group's customers and their creditworthiness, economic conditions and trends, write-off experience, delinquencies and the value of underlying collateral and guarantees. As the the Group's provisions require significant judgment and estimation, its allowance for impairment losses may not always be adequate to cover actual credit losses in its business operations. The Group's allowance may prove to be inadequate if unforeseen or adverse changes occur in the PRC economy or other economies in which the Group operates or if other events adversely affect specific customers, industries or markets. Under such circumstances, the Group may need to make additional provisions for its lease receivables, which could significantly reduce its profit and may materially and adversely affect its business, financial condition and results of operations.

The Group may not be able to sell the equipment upon termination or expiry of an existing lease.

Upon termination or expiry of an existing lease, the Group needs to sell the equipment that it leases. There can be no assurance that the Group can sell the equipment at a price favourable to the Group or at all.

Factors that could affect the Group's ability to sell the equipment include business cycles in the relevant industry, global and domestic financial market conditions, market disruption risks, market demand for the assets, transaction cost such as tax and re-installment cost, which could adversely affect the liquidity, interest rates, the availability of funding sources and the recovery of lease receivables.

With respect to certain leases, lessees have the discretion as to whether or not they wish to extend the leases after expiration of the initial lease term. In these circumstances, the Group will not be able to predict whether such lessees would exercise such an option. If a lessee decides not to extend, the Group may not be able to re-lease the relevant equipment on similar terms. The Group's ability to lease out the equipment and re-lease the same on the expiration or termination of the initial leases, the lease hire payable under any renewal or replacement lease and the Group's ability to dispose of such equipment profitably will depend upon, among other things, the then prevailing availability of lessees and economic conditions in the relevant market at that time. If the Group is unable to lease out an equipment, the Group may be required to bear substantial costs and expenses for insurance, maintenance and compliance with government regulations. If the Group receives less income as a result of lower lease hire under replacement leases or is unable to lease out the equipment on expiry of their initial leases, this may have a material and adverse effect on the Group's business, results of operations and financial condition.

The Group is subject to additional operating costs in certain circumstances.

The Group may incur other operational costs upon a lessee's default or where the terms of the lease require the Group to pay a portion of additional operating costs. Such costs, which can be substantial, may include:

- the costs of casualty, liability or war risk insurance and the liability costs or losses when insurance coverage has not been or cannot be obtained as required or is insufficient in amount or scope;

- the costs of licensing, exporting or importing leased assets, costs of storing and operating leased assets, taxes, custom duties and other governmental or quasi-governmental impositions; and
- penalties and costs associated with the failure of lessees to keep the leased assets registered under all appropriate local requirements or obtain required governmental licences, consents and approvals.

The failure to pay some of these costs can result in liens on the leased assets or a loss of insurance. Any of these events could result in the grounding of the lease assets and prevent the sale or other use of the same until the problem is resolved. This could adversely affect the Group's business, financial condition and results of operations.

The Group's controlling shareholder may take actions that are not in, or may conflict with, the Group or its creditors' (including the holders of the Bonds) best interests.

The Group's controlling shareholder, Ping An Insurance, holds, directly or indirectly, all of its outstanding shares as of the date of this Offering Circular. The interests of the Group's controlling shareholder may differ from its interests or the interests of its creditors, including the holders of the Bonds. The Group's controlling shareholder will be able to influence its major policy decisions, including its overall strategic and investment decisions, by controlling the selection of its senior management, determining the timing and amount of any dividend payments, approving its annual budgets, deciding on increases or decreases in its share capital, determining its issuance of new securities, approving mergers, acquisitions and disposals of its assets or businesses and amending its articles of association. As such, the Group's controlling shareholder could have and will continue to have the ability to exercise a controlling influence over its business, and may cause it to take actions that are not in, or may conflict with its best interest and the best interest of its creditors, including the holders of the Bonds, with respect to matters relating to its management and policies and the election of its senior management.

The Group may not have adequate insurance coverage to cover potential liabilities or losses.

The Group has obtained insurance coverage for its business operations in accordance with market practice and legal requirements, and in respect of assets which it deems material for its operations. The Group faces various risks in connection with its businesses and may lack adequate insurance coverage or may have no relevant insurance coverage. As a result, its insurance coverage may be inadequate to cover such losses should they arise. Any such uninsured losses may materially and adversely affect its business, financial position and results of operations.

The Group does not actively manage or control the operations of its equipment other than making them available to its lessees. The Group generally requires its lessees to obtain specified levels of insurance and indemnify it for, and insure against, liabilities arising out of their use and operation of the leased assets, amongst others, liabilities arising out of the use and operation of the leased assets, including third-party claims for death or injury to persons and damage to property for which the Group may be deemed liable. Some lessees may fail to maintain adequate insurance coverage during a lease term, which, although in contravention of the lease conditions, would necessitate the Group's taking some corrective action such as terminating the lease or securing insurance for the equipment, either of which could adversely affect the Group's results of operations.

As there can be no assurance that the lessee's insurance, and any contingent insurance undertaken by the Group, will be adequate or sufficient to cover all types of claims that may be asserted against the Group, any insurance coverage shortfall or default by lessees to fulfil their indemnification or insurance obligations, as well as the lack of available insurance, could reduce the proceeds upon an event of loss and could subject the Group to uninsured liabilities, any of which could have an adverse impact on the Group's financial performance and its ability to meet its financial obligations.

Failure to obtain, renew, or retain licences, permits or approvals or failure to comply with applicable laws and regulations may affect the Group's ability to conduct its business.

The Group is subject to rules and regulations and is required to hold various licences, permits and approvals issued by relevant authorities for the operation of its businesses. Any infringement of legal or regulatory requirements, or any suspension or revocation of these licences, permits and approvals may have a material adverse impact on the Group's business and operations. In addition, the regulatory and licensing requirements within the PRC financial leasing industry are constantly evolving and the Group may be subject to more stringent regulatory requirements due to changes in the political or economic policies in the PRC. There can be no assurance that the Group will be able to satisfy such regulatory requirements or it will be able to maintain, obtain or renew relevant licences, permits or approvals in the future. Any failure to comply with the regulatory and legal requirements may hinder the Group's business operations and materially and adversely affect its results of operations and financial condition.

The Group's historical results may not be indicative of its future prospects and results of operation and its future growth may not materialize as planned, and failure to manage any future growth effectively may have a material adverse effect on its business, financial condition and results of operations.

For the years ended 31 December 2018, 2019 and 2020, the Group's revenue amounted to approximately RMB15.1 billion, RMB19.7 billion and RMB19.4 billion, respectively. For the years ended 31 December 2018, 2019 and 2020, the Group's gross profit amounted to approximately RMB4.4 billion, RMB6.0 billion and RMB5.4 billion, with a gross profit margin of 45.1%, 49.9% and 51.9%, and its net profit amounted to approximately RMB3.2 billion, RMB4.4 billion and RMB3.8 billion with a net profit margin of approximately 21.2%, 22.6% and 19.8%, respectively.

The Group seek to continue to expand through increasing the number of finance leases, factoring services, trust loans and operating leases. However, the Group's expansion plans are based upon its assessment of market prospects, and the Group cannot assure you that it can sustain its historical growth in the future. The Group cannot assure you that its assessment will prove to be correct or that it can grow its business as planned. The Group's expansion plans may be affected by a number of factors, most of which are beyond its control. Such factors include, among other things:

- changes in China's economic condition in general, and the leasing market in particular;
- changes in disposable personal income in the PRC;
- the impact of any epidemic, such as the COVID-19 pandemic, on China's economic condition, disposable income and consumption spending in the PRC;
- changes in government regulations or policies;
- changes in the supply of and demand for financial leases;
- the Group's ability to generate sufficient liquidity internally and obtain external financing;
- the Group's ability to recruit and train competent managerial personnel and other employees;
- the Group's ability to diversify its service offerings and to optimize its presence in various business segments;
- the Group's ability to adapt to new markets where it has limited or no prior experience including its ability to adjust to the administrative, regulatory and tax environments in such markets;
- the Group's ability to maintain effective information technology systems to support its business and development plans;

- the Group's ability to solidify its market position in existing markets and its ability to leverage its brand name and compete successfully in new markets, particularly against the incumbent players in such markets who might have more resources and experience than the Group; and
- the Group's ability to improve its administrative, technical, operational and financial infrastructure.

The Group cannot assure you that its future growth will materialize or that it will be able to manage its future growth effectively, and failure to do so may have a material adverse effect on its business, financial position and results of operations. Moreover, the Group's profitability depends partially on its ability to control costs and operating expenses, which will increase as its business expands. You should not rely on the Group's historical results of operations to predict its future financial performance.

The Group may fail to secure new, or renew its existing, finance leases on favorable terms, or at all.

The Group believe that its ability to expand its portfolio of leasing business is key to the sustainable growth of its business. The Group's efforts may be hindered by factors beyond its control, which may include, among others, changes in general economic conditions, evolving government regulations, market competition as well as supply and demand dynamics within the financial leasing industry. The Group cannot assure you that it will be able to procure new finance leases in the future on acceptable terms or at all. If its finance leases are terminated or not renewed, there can be no guarantee that the Group would be able to find other business opportunities and enter into alternative financial leases on commercially acceptable terms, or at all. Moreover, as both termination and non-renewal of finance leases may be detrimental to the Group's reputation, it may experience material adverse effects to its brand value. The Group believe that its brand value is essential to its ability to procure new finance leases. Failure to cultivate its brand value may diminish its competitiveness in the industry.

The Group is subject to certain restrictive covenants in and non-compliance risks associated with bank borrowings.

The Group is subject to certain restrictive covenants in its loan and financing agreements with certain banks, trust companies and other financial institutions. Some of its loan agreements, for example, obligate it to maintain certain financial ratios. In addition, certain loan agreements contain covenants pursuant to which the Issuer and its subsidiaries, without the lenders' prior written consent, may not enter into merger, joint venture or restructuring transactions, decrease registered share capital, transfer material assets, liquidate, change shareholdings or distribute dividends unless without a material adverse effect on the Group's financial performance or business operation. In addition, many of its borrowings are secured by either a pledge or a transfer, or both, of its equity interests in the relevant project company subsidiary to the lender. The Group may not be able to ensure the full compliance with such restrictive covenants due to factors out of its control such as governmental regulatory restrictions and its financial condition fluctuation, which may limit its financing capacities or otherwise materially and adversely affect its business, results of operations and financial condition.

If the Group fail to comply with any of those covenants resulting in the lenders' requests for acceleration or other default remedies, the Group may lose part or all of its equity interests in the relevant project company subsidiaries. The occurrence of any of the above events may have a material adverse effect on its business, financial condition and results of operations.

The Group may be subject to additional payments of statutory employee benefits.

As required by PRC regulations, the Group make contributions to mandatory social security funds for the benefit of its PRC employees that provide for pension insurance, medical insurance, unemployment insurance, personal injury insurance and housing funds, to designated government agencies. According to the relevant PRC laws and regulations, certain failure in making requisite social insurance or housing provident fund contributions may result in a fine imposed on the Group or the Group being required to rectify the non-compliance by any relevant governmental authorities. As of the date of this Offering

Circular, the Group has not been requested to pay any fine in relation to social insurance or housing provident fund. The Group cannot assure you that it will not be subject to any order to rectify non-compliance in the future, nor can it assure you that there are no, or will not be any, employee complaints regarding payment of the social insurance or housing provident funds against the Group, or that the Group will not receive any claims in respect of social insurance contributions under national laws and regulation. In addition, the Group may incur additional expenses to comply with such laws and regulations by the PRC government or relevant local authorities.

The Group is required to adhere to national health and safety standards, and in the event that it is unsuccessful at meeting these standards, its business, financial condition, results of operations and brand image would be negatively affected.

The Group cannot guarantee that its procedures, safeguards and training will be completely effective in meeting all relevant health and safety requirements. A failure to meet relevant government requirements could occur in its operations. There can be no assurance that the Group will not be subject to any administrative penalties due to non-compliance with laws and regulations in relation to labour, safety and environment protection matters in the future. Any material non-compliance could result in fines, suspension of operations, loss of permits, and in more extreme cases, criminal proceedings against the Group or its management. Moreover, negative publicity could be generated from false, unfounded or nominal liability claims. Any of these failures or occurrences could negatively affect the Group's business, financial condition, results of operations and brand image.

The Group is exposed to risks in relation to work safety and occurrence of accidents, which could materially and adversely affect its reputation, business, financial condition and results of operations.

Work injuries and accidents may occur in the course of the Group's business. Any incident or accident could result in damage to, or destruction of, properties of the communities, personal injury or death and legal liability and the Group may be held liable for the losses. In addition, the Group is exposed to claims of negligent or reckless behaviour on the part of its employees. The Group may also experience interruptions to its business operations and may be required by government authorities to change the manner in which the Group operate following any incidents or accidents. Any of the foregoing could materially and adversely affect the Group's reputation, business, financial condition and results of operations.

The embedded value of the Group in this Offering Circular is calculated based on, among other things, a number of assumptions used in the calculations and one should not rely on these values as a measure of the Group's actual value and performance.

The Issuer prepares its consolidated financial information in accordance with CAS. The Issuer's summary consolidated financial information as of, and for, the years ended 31 December 2018, 2019 and 2020 have been extracted from the consolidated financial statements audited by the independent auditors of the Issuer, and included elsewhere in this Offering Circular together with the auditor's report in respect of the financial years ended 31 December 2019 and 2020. CAS differs in certain material respects from IFRS. For a discussion of certain differences between CAS and IFRS, see "Summary of Significant Differences between CAS and IFRS" in this Offering Circular.

This Offering Circular contains non-GAAP financial measures, which are not required by, or presented in accordance with, IFRS. Non-GAAP financial measures, including the embedded value of the Group, are used for management decision making and internal performance management purposes. Non-GAAP financial measures are not measures of the Group's performance under IFRS and should be considered together with any performance measures derived in accordance with IFRS or other generally accepted accounting principles.

This Offering Circular also contains certain EBITDA financial data included in “*Summary Consolidated Financial and Other Information of the Issuer*”. EBITDA is not a standard measure under CAS. EBITDA is a widely used financial indicator of a company’s ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of the Group’s operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expense or other non-operating cash expenses. In evaluating EBITDA, investors should consider, among other things, the components of EBITDA such as revenue and selling and distribution expenses and administrative expenses and the amount by which EBITDA exceeds capital expenditures and other charges. EBITDA has been included herein because the Group believes it is a useful supplement to cash flow data as a measure of the Group’s performance and the Group’s ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare the Group’s EBITDA to EBITDA presented by other companies because not all companies use the same definition.

RISKS RELATING TO THE PRC

Most of the Group’s operations are located in the PRC and a significant portion of the Group’s investment assets are also concentrated in investments located within the PRC. Accordingly, the Group’s business, financial condition, results of operations and prospects will, to an increasing degree, be subject to the economic, political and legal developments of the PRC.

China has experienced a slowdown in its economic development and the future performance of China’s economy is uncertain.

The economy of the PRC experienced rapid growth in the past 30 years. There has been a slowdown in the growth of the PRC’s GDP since the second half of 2013 and this has raised market concerns that the historic rapid growth of the economy of the PRC may not be sustainable. According to the National Bureau of Statistics of the PRC, the annual growth rate of China’s GDP in 2015 slowed down to 6.9 per cent. on a year-on-year basis compared to 7.3 per cent. in 2014, and it further decreased to 6.7 per cent. in 2016 on a year-on-year basis. In May 2017, Moody’s changed China’s long-term sovereign credit rating and foreign currency issuer ratings to A1 from Aa3. In September 2017, S&P Global Ratings also downgraded China’s long-term sovereign credit rating to A+ from AA-, citing increasing economic and financial risks from a prolonged period of strong credit growth.

The COVID-19 pandemic has also had a significant impact on China’s economy. According to an announcement by the National Statistics Bureau of the PRC on 17 April 2020, China’s GDP for the first quarter of 2020 contracted by 6.8 per cent. compared to the same period in 2019, the first such decline since quarterly GDP records began in 1992. China’s eventual GDP growth rate for 2020 was 2.3 per cent. Given the continuous spread of COVID-19 globally and the evolving impact of the pandemic on the global economy, the full recovery of PRC economic growth still remains uncertain.

The future performance of China’s economy is not only affected by the economic and monetary policies of the PRC Government, but it is also exposed to material changes in global economic and political environments as well as the performance of certain major developed economies in the world, such as the United States and the European Union. For example, on 23 June 2016, the United Kingdom voted in a national referendum to withdraw from the European Union. There is substantial uncertainty relating to the implementation of the United Kingdom’s exit or its impact on the economic conditions of other part of the world, such as China’s, including but not limited to further decreases in global stock exchange indices, increased foreign exchange volatility (in particular a further weakening of the pound sterling and euro against other leading currencies) and a possible economic recession involving more countries and areas. Therefore, there exists continued uncertainty for the overall prospects for the global and the PRC economies this year and beyond.

The continuing effects of reform in the PRC, the changes in global economic and political environments and the COVID-19 outbreak may have an adverse effect on the global and PRC economies resulting in continuing uncertainty for the overall prospects of the global and the PRC economies this year and beyond. Such uncertainty may thus slow down the PRC economy. Any slowdown in the PRC economy may create a credit-tightening environment, increase the Group's financing costs, or reduce government subsidies to the Group, resulting in a material adverse effect on its business, results of operations and financial condition.

The operations of the Group may be affected by rising inflation rates within the PRC.

Inflation rates within the PRC have been on a sharp uptrend in recent years. The PRC government has taken numerous monetary tightening measures, including raising interest rates and reserve requirement ratios and curbing bank lending, to slow down economic growth and control price rises. Increasing inflationary rates are due to many factors beyond the Group's control, such as rising food prices, rising production and labour costs, high lending levels, PRC and foreign governmental policy and regulations, and movements in exchange rates and interest rates. It is impossible to accurately predict future inflationary trends. If inflation rates rise beyond the Group's expectations, the costs of payouts to customers may become significantly higher than the Group has anticipated for the future, and the Group may be unable to increase premiums and other rates charged to customers in amounts that are sufficient to cover its increasing operating costs. These unanticipated costs may be exacerbated by the fact that the Group's investment portfolio is comprised primarily of fixed income securities. The Group's ability to make a profit on its products depends in part on the returns on investments supporting its obligations under these products, and given that the return on such fixed income investment holdings remain roughly constant despite inflation, the Group's investment income may not be sufficient to meet increasingly expensive payouts to customers. Furthermore, the Group may not be able to dispose of its fixed income securities on short notice, or may have to sell such securities at prices significantly lower than the prices it has recorded in its consolidated financial information. As a result, further inflationary pressures within the PRC may have a material adverse effect on the Group's business and financial condition and results of operations, as well as its liquidity and profitability.

The PRC legal system has inherent uncertainties that would affect the Group's business and results of operations as well as the interest of investors in the Bonds.

A substantial and growing share of the Group's business is conducted, and assets located, in the PRC, and its operations are generally affected by and subject to the PRC legal system and PRC laws and regulations.

Since 1979, the PRC government has promulgated laws and regulations in relation to general economic matters, such as foreign investment, corporate organisation and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. In particular, legislation over the past 35 years has significantly enhanced the protections afforded to various forms of foreign investment in the PRC. The legal system in the PRC is continuing to evolve. Even where adequate laws exist in the PRC, the enforcement of existing laws or contracts based on existing laws may be uncertain and sporadic, and it may be difficult to obtain swift and equitable enforcement or to obtain enforcement of a judgment by a court of another jurisdiction. In addition, the PRC legal system is based on written statutes and their interpretation, and prior court decisions may be cited as reference but have limited weight as precedents. The Group has full or majority board control over the management and operation of all of the Group's subsidiaries established in the PRC. The control over these PRC entities and the exercise of its shareholder rights are subject to their respective articles of association and PRC laws applicable to foreign-invested enterprises in the PRC, which may be different from the laws of other developed jurisdictions.

The PRC has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC. The relative inexperience of the PRC's judiciary in many cases also creates additional uncertainty as to the outcome of any litigation. In addition, interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes. Furthermore, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation, implementation and enforcement of these laws and regulations involve uncertainties due to the lack of established practice available for reference. The Group cannot predict the effect of future legal development in the PRC, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the inconsistencies between local rules and regulations and national law. As a result, there is substantial uncertainty as to the legal protection available to the Group and investors in the Bonds. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have retroactive effect. As a result, the Group may not be aware of its violation of these policies and rules until sometime after the violation has occurred. This may also limit the remedies available to you as an investor and to the Group in the event of any claims or disputes with third parties.

Any litigation in the PRC may be protracted and result in substantial costs and diversion of the Group's resources and management attention.

The outbreak, or threatened outbreak, of any severe communicable disease in the PRC could materially and adversely affect the Group's business and results of operations.

The outbreak, or threatened outbreak, of any severe communicable disease (such as severe acute respiratory syndrome, avian influenza or COVID-19) in the PRC could materially and adversely affect the overall business sentiment and environment in the PRC, particularly if such outbreak is inadequately controlled. This, in turn, could materially and adversely affect domestic consumption, labour supply and, possibly, the overall GDP growth of the PRC. The Group's revenue is currently derived mainly from its PRC operations, and any labour shortages on contraction or slowdown in the growth of domestic consumption in the PRC could materially and adversely affect its business, financial condition and results of operations. In addition, if any of the Group's employees are affected by any severe communicable disease, it could adversely affect or disrupt operations at the relevant premises and materially and adversely affect the Group's business, financial condition and results of operations, which may also involve a closure of the Group's facilities to prevent the spread of the disease. The spread of any severe communicable disease in the PRC may also affect the operations of the Group's customers and suppliers, which could materially and adversely affect the Group's business, financial condition, and results of operations.

Fluctuations of the Renminbi could affect the Group's financial condition and results of operations.

Substantially all of the Group's revenues are generated by its subsidiaries in the PRC and are denominated in Renminbi. A portion of such revenues must be converted in other currencies to meet the relevant subsidiary's own foreign currency obligations.

The value of the Renminbi against the U.S. dollar, Euro and other currencies is affected by, among other things, changes in the PRC's political and economic conditions and the PRC's foreign exchange policies. On 21 July 2005, the PRC Government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is pegged against a basket of currencies, determined by the PBOC, against which it can fluctuate within a narrow and managed band based on market supply and demand and by reference to a basket of currencies. On 21 May 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar from 0.3 per cent. to 1.5 per cent. around the central parity rate. This allowed the Renminbi to fluctuate against the U.S. dollar by up to 0.5 per cent. above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0 per cent. on 16 April 2012. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 26.9 per cent. from 21 July 2005 to 31 December 2013. On 14 March 2014, the PBOC further widened the floating band against the U.S. dollar to 2.0 per cent. On 11 August 2015, to improve the central parity quotations of Renminbi against the U.S. dollar, the PBOC authorised market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. Following the announcement by the PBOC on 11 August 2015, Renminbi depreciated significantly against the U.S. dollar. The Renminbi experienced further fluctuation in value against the U.S. dollar. The PBOC also adjusted the mechanism for market makers to form the central parity rate by requiring them to consider the closing exchange rate of the last trading date, the supply and demand of foreign exchange and the rate change of primary international currencies. On 11 December 2015, the China Foreign Exchange Trade System ("CFETS"), an organisation under the PBOC, published the CFETS Renminbi exchange rate index for the first time, which weighs Renminbi based on 13 currencies, to guide the market in order to measure the Renminbi exchange rate from a new perspective. The PBOC has further authorised the CFETS to announce its central parity rate for Renminbi against the U.S. dollar through a weighted averaging of the quotes from the market makers after removing the highest quote and the lowest quote. From 1 January 2017, according to the sampling rule of "CNY versus FX currency pair listed on CFETS", CFETS added 11 currencies newly listed on CFETS in 2016, and the number of basket currencies increased from 13 to 24. The International Monetary Fund announced on 30 September 2016 that, effective on 1 October 2016, the Renminbi was added to its Special Drawing Rights currency basket. Following the gradual appreciation against U.S. dollar in 2017, Renminbi experienced a recent depreciation in value against U.S. dollar followed by a fluctuation in 2018 and early 2019. On 5 August 2019, the PBOC set the Renminbi's daily reference rate above RMB7 per U.S. dollar for the first time in over a decade amidst an uncertain trade and global economic climate.

The PRC Government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. These changes in policy have resulted in fluctuations of the Renminbi against the U.S. dollar in the past several years. There can be no assurance that the RMB exchange rate will remain stable against the U.S. dollar or other foreign currencies in the market. While the international reaction of the Renminbi revaluation has generally been positive, there remains significant international pressure on the PRC Government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of the Renminbi against the U.S. dollar or other foreign currencies. As the majority of the Group's costs and expenses are denominated in Renminbi, a resumption of the appreciation of the Renminbi against the U.S. dollar would further increase the Group's costs in U.S. dollar terms. In addition, as the Group's operating subsidiaries in the PRC receive revenues in Renminbi, any significant depreciation of the Renminbi against the U.S. dollar may have a material adverse effect on the Group's revenues in U.S. dollar terms and financial condition. For example, the Group would need to convert proceeds of this offering dominated in U.S. dollars into Renminbi for its operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount it receives from the conversion. Conversely, depreciation of the Renminbi against the U.S. dollar could adversely affect the value, translated or converted into U.S. dollars or otherwise, of the Group's earnings and its ability to satisfy its obligations under the Bonds.

RISKS RELATING TO THE BONDS

Any failure to complete the relevant filings under the NDRC Circular and the relevant registration under SAFE within the prescribed time frame following the completion of the issue of the Bonds may have adverse consequences for the Issuer and/or the investors of the Bonds.

The NDRC issued the NDRC Circular on 14 September 2015, which came into effect on the same day. According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issued outside the PRC with a maturity not less than one year with the NDRC prior to the issue of the securities and notify the particulars of the relevant issues within 10 working days after the completion of the issue of the securities.), Ping An Insurance Group has obtained a certificate from the NDRC on 9 December 2020 (which was amended on 13 July 2021) pursuant to which the NDRC granted foreign debt amount to the subsidiaries of Ping An Insurance Group including the Issuer. The Issuer and/or Ping An Insurance Group intend to file or cause to be filed with the NDRC the requisite information and documents within 10 Registration Business Days after the Issue Date in accordance with the NDRC Circular. However, there is no clarity on the legal consequences of non-compliance with the post-issue filing requirement under the NDRC Circular. In the worst case scenario, such non-compliance with the post-issue notification requirement under the NDRC circular may result in it being unlawful for the Issuer to perform or comply with any of its obligations under the Bonds and the Bonds might be subject to enforcement as provided in Condition 9 (*Events of Default*) of the Terms and Conditions. Potential investors of the Bonds are advised to exercise due caution when making their investment decisions.

In accordance with the Administrative Measures for Foreign Debt Registration (外債登記管理辦法) (the “**Foreign Debt Registration Measures**”) issued by SAFE on 28 April 2013, which was further amended on 4 May 2015, the Issuer shall complete foreign debt registration in respect of the issue of the Bonds with the local branches of SAFE in accordance with laws and regulations. According to the Operation Guidelines for Administration of Foreign Debt Registration (外債登記管理操作指引) promulgated together with the Foreign Debt Registration Measures, as well as the Guidelines for Foreign Exchange Business under the Capital Account (2020 version) (資本項目外匯業務指引(2020年版)), the Issuer is required to register the Bonds within 15 working days after execution of the relevant foreign debt contract and complete such registration in accordance with the Foreign Debt Registration Measures. Before such registration of the Bonds is completed, it is uncertain whether the Bonds are enforceable as a matter of PRC law and it may be difficult for Bondholders to recover amounts due from the Issuer, and the Issuer may not be able to remit the proceeds of the offering into the PRC or remit money out of the PRC in order to meet its payment obligations under the Bonds. Pursuant to article 27(5) of the Foreign Debt Registration Measures, a failure to comply with registration requirements may result in a warning and fine as set forth under article 48 of the Foreign Exchange Administrative Regulations (外匯管理條例) promulgated by the State Council in 2008. However, pursuant to article 40 of the Foreign Debt Administration Provisional Rules (外債管理暫行辦法) promulgated by MOF, the NDRC and SAFE, a failure by a domestic entity to register a foreign debt contract will render the contract not legally binding and unenforceable. Under the Terms and Conditions, the Issuer has undertaken to use its best endeavours, and it intends, to complete the registration of the Bonds with SAFE within 90 Registration Business Days of the Issue Date. If the Issuer is unable to complete the registration in a timely manner with the local branches of SAFE, the Issuer may have difficulty in remitting funds offshore to service payments in respect of the Bonds and investors may encounter difficulties in enforcing judgments obtained in the Hong Kong courts with respect to the Bonds and the Trust Deed in the PRC. In such circumstances, the value and secondary market price of the Bonds may also be materially and adversely affected.

In addition, on 29 April 2016, the PBOC issued the Circular of the PBOC on Implementing Overall Macro Prudential Management System for Nationwide Cross-border Financing (Financing (Yin Fa [2016] No. 132) (中國人民銀行關於在全國範圍內實施全口徑跨境融資宏觀審慎管理的通知(銀發[2016]132號)), which came into effect on 3 May 2016. This circular has since been replaced by the Notice of People's Bank of China on Matters Concerning Macro-prudential Management on All-round Cross-border Financing (Yin Fa [2017] No. 9) (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知(銀發[2017]9號)), ("**Cross-Border Financing Circular**") issued by the PBOC on 12 January 2017 and came into effect on the same date. The Issuer is also required to file the issue of the Bonds with SAFE in accordance with the Cross-Border Financing Circular.

According to the Cross-Border Financing Circular, the Issuer shall file the information of relating to the Bonds in the capital project information system with SAFE after the signing of the transaction documents in relation to the Bonds and no later than 3 working days before the withdrawal of money. The Issuer, after filing with SAFE, may carry out relevant capital settlement for the Issuer according to the withdrawal and repayment arrangement, report the relevant clearing information to the relevant systems of the PBOC and SAFE, and update the information on the transaction in relation to the Bonds (including offshores creditors, maturity, amount, interest rate and net assets). If the audited net assets, the foreign creditors involved in the financing contract, the term of the loan, the amount and interest rates have changed, the Issuer shall file the changes in a timely manner. If the Issuer fails to report or update the cross-border financing information in time, the PBOC and SAFE may circulate the criticism on the Issuer after verification, order a rectification, and impose sanctions according to the Law of the People's Republic of China on People's Bank of China and the Law of the People's Republic of China on Foreign Exchange Control.

The Bonds will be unsecured obligations.

As the Bonds will be unsecured obligations of the Issuer, the repayment of the Bonds may be adversely affected if:

- the Issuer enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- there is a default in payment under the Issuer's future secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Issuer's indebtedness.

If any of these events were to occur, the Issuer's assets and any amounts received from the sale of such assets may not be sufficient to pay amounts due on the Bonds.

The Bonds may not be a suitable investment for all investors.

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Offering Circular or any applicable supplement to this Offering Circular;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;

- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios in relation to economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Bonds are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to the purchaser's overall portfolios. A potential investor should not invest the Bonds which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of the Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Bonds are legal investments for it, (ii) the Bonds can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase of the Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

Investors in the Bonds may be subject to foreign exchange risks.

The Bonds are denominated and payable in U.S. dollars. An investor who measures investment returns by reference to a currency other than U.S. dollars would be subject to foreign exchange risks by virtue of an investment in the Bonds, due to, among other things, economic, political and other factors over which the Issuer has no control. Depreciation of the U.S. dollar against such currency could cause a decrease in the effective yield of the Bonds below their stated coupon rates and could result in a loss when the return on the Bonds is translated into such currency. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Bonds.

Modification and waivers.

The Terms and Conditions will contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions will permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

The Terms and Conditions will also provide that the Trustee may, without the consent of Bondholders, agree to (i) any modification of any of the Terms and Conditions or any of the provisions of the Trust Deed or the Agency Agreement that is in the opinion of the Trustee of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of applicable law, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the Terms and Conditions or any of the provisions of the Trust Deed or the Agency Agreement that is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders.

A change in English law which governs the Bonds may adversely affect Bondholders.

The Bonds will be governed by English law in effect as at the date of issue of the Bonds. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the Bonds.

The Bonds will be represented by a Global Certificate and holders of a beneficial interest in a Global Certificate must rely on the procedures of the relevant Clearing System.

The Bonds will be represented by the Global Certificate except in certain limited circumstances described in the Global Certificate. The Global Certificate will be registered in the name of a nominee for, and deposited with, a common depositary for Euroclear and Clearstream. Individual Certificates evidencing holdings of Bonds will only be available in certain limited circumstances. Euroclear and Clearstream will maintain records of the beneficial interests in the Global Certificate. While the Bonds are represented by the Global Certificate, investors will be able to trade their beneficial interests only through Euroclear and Clearstream.

The Issuer will discharge its payment obligations under the Bonds by making payments to or to the order of the common depositary for Euroclear and Clearstream for distribution to their account holders. A holder of a beneficial interest in the Global Certificate must rely on the procedures of Euroclear and Clearstream to receive payments under the Bonds. None of the Issuer, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates, or any person who controls any of them, has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream to appoint appropriate proxies.

Bondholders should be aware that a definitive Certificate which has a principal amount that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

In relation to any Bond which has a principal amount consisting of a minimum specified denomination plus a higher integral multiple of another smaller amount, it is possible that the Bonds may be traded in amounts in excess of the minimum specified denomination that are not integral multiples of such minimum specified denomination. In such a case a Bondholder who, as a result of trading such amounts, holds a principal amount of less than the minimum specified denomination will not receive a definitive Certificate in respect of such holding (should definitive Bonds be printed) and would need to purchase a principal amount of Bonds such that it holds an amount equal to one or more specified denominations. If definitive Bonds are issued, holders should be aware that a definitive Certificate which has a principal amount that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

The Trustee may request that the Bondholders provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances (including, without limitation, the giving of notice to the Issuer pursuant to Condition 9 (*Events of Default*) of the Terms and Conditions and the taking of enforcement steps pursuant to Condition 13 (*Enforcement*) of the Terms and Conditions), the Trustee may (at its sole discretion) request the Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes any steps and/or actions and/or institutes any proceedings on behalf of Bondholders. The Trustee shall not be obliged to take any such any steps and/or actions and/or institute any such proceedings if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to any indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such steps and/or actions can be taken and/or when such proceedings can be instituted. The Trustee may not be able to take any steps and/or actions and/or to institute proceedings on behalf of the Bondholders, notwithstanding the provision of an indemnity and/or security or prefunding to it, in breach of the terms of the Trust Deed constituting the Bonds or the Terms and Conditions and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable law, it will be for the Bondholders to take such steps and/or actions and/or institute such proceedings directly.

The Issuer may be unable to redeem the Bonds.

On certain dates, including but not limited to the occurrence of a Relevant Event, the Issuer may, and at maturity, will be required to redeem all of the Bonds. If such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. Failure to redeem the Bonds by the Issuer, in such circumstances, would constitute an Event of Default under the Bonds, which may also constitute a default under the terms of other indebtedness of the Issuer or its subsidiaries.

The liquidity and price of the Bonds following the offering may be volatile.

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in the Issuer's revenues, earnings and cash flows and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the volume and price at which the Bonds will trade. There is no assurance that these developments will not occur in the future.

Developments in other markets may adversely affect the market price of the Bonds.

The market price of the Bonds may be adversely affected by declines in the international financial markets and world economic conditions. The market for Chinese securities is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including China. Since the sub-prime mortgage crisis in 2008, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Bonds could be adversely affected.

A trading market for the Bonds may not develop.

The Bonds are a new issue of securities for which there is currently no trading market. Application will be made to the HKSE for the listing of the Bonds. However, there can be no assurance as to the liquidity of the Bonds or that an active trading market will develop. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. Each of the Joint Lead Managers is not obligated to make a market in the Bonds and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Joint Lead Managers.

The insolvency laws of the PRC and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Bonds are familiar.

Since the Issuer is incorporated under the laws of the PRC, any insolvency proceedings relating to the Issuer even if brought in other jurisdictions, would likely involve the PRC insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar.

If the Issuer is unable to comply with the restrictions and covenants in its debt agreements (if any), or the Bonds, there could be a default under the terms of these agreements, or the Bonds, which could cause repayment of the Issuer's debt to be accelerated.

If the Issuer is unable to comply with the restrictions and covenants in the Bonds, or current or future debt obligations and other agreements (if any), there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments

to lend to the Issuer, accelerate repayment of the debt, declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of the debt agreements of the Issuer, contain cross-acceleration or cross-default provisions. As a result, the default by the Issuer under one debt agreement may cause the acceleration of repayment of debt, including the Bonds, or result in a default under its other debt agreements, including the Bonds. If any of these events occur, there can be no assurance that the Issuer's assets and cash flows would be sufficient to repay all of the Issuer's indebtedness in full, or that it would be able to find alternative financing. Even if the Issuer could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Issuer.

Additional procedures may be required to be taken to bring English law governed matters or disputes to the Hong Kong courts and the Bondholders would need to be subject to the exclusive jurisdiction of the Hong Kong courts. There is also no assurance that the PRC courts will recognise and enforce judgments of the Hong Kong courts in respect of English law governed matters or disputes.

The Terms and Conditions and the transaction documents are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken. Under the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the “**Reciprocal Arrangement**”), judgments of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of Hong Kong courts. However, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC or meets other circumstances specified by the Reciprocal Arrangement. While it is expected that the PRC courts will recognise and enforce a judgment given by Hong Kong courts governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area. Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the Bondholders will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the holders' ability to initiate a claim outside of Hong Kong will be limited.

Gains on the transfer of the Bonds and interest payable by the Issuer to overseas Bondholders may be subject to income tax and value-added tax under PRC tax laws.

Under the Enterprise Income Tax Law of the PRC (the “**EIT Law**”) which took effect on 1 January 2008 and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a “non-resident enterprise” means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. There remains uncertainty as to whether the gains realised on the transfer of the Bonds by enterprise holders would be treated as incomes derived from sources within the PRC and be subject to PRC enterprise income tax. In addition, there is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the

Prevention of Fiscal Evasion with Respect to Taxes on Income (the “**Arrangement**”) which was promulgated on 21 August 2006, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds if such capital gains are not connected with an office or establishment that the Bondholders have in the PRC and all the other relevant conditions are satisfied.

Pursuant to the EIT Law, the PRC Individual Income Tax Law (the “**IIT Law**”) which took effect on 30 June 2011, and the implementation regulations in relation to both the EIT Law and IIT Law, PRC income tax at a rate of 10 per cent. or 20 per cent. is normally applicable to PRC-source income derived by non-resident enterprises or individuals respectively, subject to adjustment by applicable treaty.

On 23 March 2016, the Ministry of Finance and the State Administration of Taxation issued the Circular of Full Implementation of Replacing Business Tax with Value-Added Tax Reform (關於全面推開營業稅改徵增值稅試點的通知) (“**Circular 36**”), which introduced a new value-added tax (“**VAT**”) from 1 May 2016. VAT is applicable where entities or individuals provide services within the PRC. The Issuer will be obligated to withhold VAT of 6% and certain surcharges as described below on payments of interest and certain other amounts on the Bonds paid by the Issuer to Bondholders that are non-resident enterprises or individuals.

VAT is unlikely to be applicable to any transfer of Bonds between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Bonds, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. Circular 36 together with other laws and regulations pertaining to VAT are relatively new, and the interpretation and enforcement of such laws and regulations involve uncertainties.

If a Bondholder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax on interest or gains on the transfer of the Bonds, the value of the relevant Bondholder’s investment in the Bonds may be materially and adversely affected.

The Issuer may issue additional Bonds in the future.

The Issuer may, from time to time, and without the consent of the Bondholders, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects save for the issue date, the first payment of interest on them and the timing for compliance with the Registration Condition (as defined in the Terms and Conditions) and the making of the Foreign Debt Registration with SAFE and the NDRC Post-Issuance Reporting Filing (each as defined in the Terms and Conditions) (see “*Terms and Conditions of the Bonds – Further Issues*”) or otherwise raise additional capital through such means and in such manner as it may consider necessary. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Bonds.

TERMS AND CONDITIONS OF THE BONDS

The following, subject to modification and other than the words in italics, is the text of the terms and conditions of the Bonds which will appear on the reverse of each of the definitive certificates evidencing the Bonds:

The issue of _____ per cent. senior bonds due _____ in an aggregate principal amount of U.S.\$ _____ (the “**Bonds**”, which term shall include, unless the context requires otherwise, any additional Bonds issued in accordance with Condition 15 and consolidated and forming a single series therewith) was authorised by a resolution of the board of directors of Ping An International Financial Leasing Co., Ltd. (平安國際融資租賃有限公司) (the “**Issuer**”) passed on 14 September 2020 and a Chairman’s decision made on 20 July 2021. The Issuer is a subsidiary of Ping An Insurance (Group) Company of China, Ltd. (中國平安保險(集團)股份有限公司) (“**Ping An Insurance Group**”). The Bonds are constituted by a trust deed (as amended and/or supplemented from time to time, the “**Trust Deed**”) dated _____ 2021 (the “**Issue Date**”) between the Issuer and The Bank of New York Mellon, London Branch (the “**Trustee**” which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for itself and the holders of the Bonds. These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds.

The Bonds are the subject of an agency agreement dated _____ 2021 (as amended and/or supplemented from time to time, the “**Agency Agreement**”) relating to the Bonds entered into between the Issuer, the Trustee, The Bank of New York Mellon, London Branch as principal paying agent (the “**Principal Paying Agent**”), The Bank of New York Mellon SA/NV, Dublin Branch as registrar (the “**Registrar**”) and as transfer agent (the “**Transfer Agent**”) and any other Agents appointed thereunder. References herein to “**Paying Agents**” includes the Principal Paying Agent, and “**Agents**” means the Principal Paying Agent, the Registrar, the Transfer Agent and any other agent or agents appointed from time to time with respect to the Bonds.

Copies of the Trust Deed and the Agency Agreement are available for inspection at all reasonable times during usual business hours (being between 9.00 a.m. and 3.00 p.m. from Monday to Friday excluding public holidays) at the principal office of the Trustee (being at the Issue Date at One Canada Square, London E14 5AL, United Kingdom) following prior written request and proof of holding and identity satisfactory to the Trustee. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

All capitalised terms that are not defined in these terms and conditions (these “**Conditions**”) will have the meanings given to them in the Trust Deed. These Conditions include summaries of, and are subject to the detailed provisions of, the Trust Deed.

1 FORM, SPECIFIED DENOMINATION AND TITLE

The Bonds are issued in the specified denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

The Bonds are represented by registered certificates (“**Certificates**”) and, save as provided in Condition 2.1, each Certificate shall represent the entire holding of Bonds by the same holder.

Title to the Bonds shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Bond shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, “**Bondholder**” and, in relation to a Bond, “**holder**” means the person in whose name a Bond is registered.

*Upon issue, the Bonds will be represented by a global certificate (the “**Global Certificate**”) registered in the name of a nominee of, and deposited with, a common depository for Euroclear Bank SA/NV and Clearstream Banking S.A. The Conditions are modified by certain provisions contained in the Global Certificate while any of the Bonds are represented by the Global Certificate.*

Except in the limited circumstances described in the Global Certificate, owners of interests in Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Bonds. The Bonds are not issuable in bearer form.

2 TRANSFERS OF BONDS

- 2.1 Transfer:** A holding of Bonds may, subject to Condition 2.4 and the terms of the Agency Agreement, be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Bonds to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or the relevant Transfer Agent may require to prove title of the transferor and the authority of the individuals who have executed the form of transfer. In the case of a transfer of part only of a holding of Bonds represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Bonds to a person who is already a holder of Bonds, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Bonds and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee, and by the Registrar, with the prior written approval of the Trustee. A copy of the current regulations will be made available by the Registrar (at the cost of the Issuer) to any Bondholder following written request and proof of holding and identity satisfactory to the Registrar.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

- 2.2 Delivery of New Certificates:** Each new Certificate to be issued pursuant to Condition 2.1 shall be available for delivery within five business days of receipt of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, exercise notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or exercise notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2.2, “**business day**” means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

2.3 Transfer Free of Charge: Certificates, on transfer, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon payment of any tax, duties or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security as the Registrar or the relevant Transfer Agent may require in respect of such tax, duties or other governmental charges).

2.4 Closed Periods: No Bondholder may require the transfer of a Bond to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Bond, (ii) during the period of seven days ending on (and including) any Record Date or (iii) after a Put Exercise Notice has been deposited in respect of such Bond pursuant to Condition 6.3.

3 STATUS

The Bonds constitute (subject to Condition 4.1) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4.1, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.

4 NEGATIVE PLEDGE AND OTHER COVENANTS

4.1 Negative Pledge

So long as any Bond remains outstanding (as defined in the Trust Deed), the Issuer will not, and the Issuer will ensure that none of its Subsidiaries will, create or have outstanding, any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Bonds the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders. For the purposes of these Conditions:

- (i) a “**Person**” includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of state (in each case whether or not being a separate legal entity);
- (ii) “**Relevant Indebtedness**” means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures or other securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market, and are initially issued, offered or distributed outside the People’s Republic of China (which for the purposes of these Conditions excludes the Hong Kong Special Administrative Region of the People’s Republic of China, the Macau Special Administrative Region of the People’s Republic of China and Taiwan); and
- (iii) “**Subsidiary**” means, in respect of any Person, any entity whose financial statements at any time are required by law, or in accordance with generally accepted accounting principles, of the jurisdiction of incorporation of such Person to be fully consolidated with those such Person.

4.2 Information Rights

So long as any Bond remains outstanding, the Issuer will send to the Trustee:

- (i) as soon as they are available, but in any event within 180 days after the end of each financial year of the Issuer (which, unless otherwise notified in writing to the Trustee and to the Bondholders in accordance with Condition 16, shall be 31 December), copies of the audited financial statements of the Issuer in English (on a consolidated basis and as audited by independent accountants) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) together with the relevant audit report thereto and the notes to such audited financial statements prepared in accordance with the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance of the PRC and applicable law prevailing from time to time; and
- (ii) as soon as they are available, but in any event within 60 days after the end of each first semi-annual period of the Issuer, copies of the unaudited and unreviewed management accounts of the Issuer in English (on a consolidated basis) in respect of such semi-annual period (including a statement of income, balance sheet and cash flow statement) prepared on a basis consistent with the audited financial statements of the Issuer.

4.3 Notification to NDRC

The Issuer shall ensure that Ping An Insurance Group will within the prescribed timeframe file or cause to be filed with the National Development and Reform Commission (the “**NDRC**”) requisite information and documents in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) (發改外資(2015)2044號) issued by the NDRC and effective from 14 September 2015 and any implementation rules as issued by the NDRC from time to time (the “**Post-Issuance Reporting Filing**”). The Issuer shall:

- (i) within ten PRC Business Days after the submission of the Post-Issuance Reporting Filing by Ping An Insurance Group, provide the Trustee with a certificate in English substantially in the form set out in the Trust Deed signed by an Authorised Signatory (as defined in the Trust Deed), confirming the submission of the Post-Issuance Reporting Filing to the NDRC; and
- (ii) give notice to the Bondholders confirming the submission of the Post-Issuance Reporting Filing to the NDRC within ten PRC Business Days after the certificate referred to in Condition 4.3(i) is delivered to the Trustee.

The Trustee shall have no obligation or duty to monitor or to assist with the Post-Issuance Reporting Filing or to ensure the Post-Issuance Reporting Filing is submitted on or before the last day of the prescribed timeframe or to verify the accuracy, validity and/or genuineness of any documents comprising or prepared or submitted in relation to or in connection with the Post-Issuance Reporting Filing or, if the Trustee is provided with a copy of any document comprising or prepared or submitted in relation to or in connection with the Post-Issuance Reporting Filing and the same is in the Chinese language, to translate or procure the translation of the same into English or to give notice to the Bondholders confirming the submission of the Post-Issuance Reporting Filing, and the Trustee shall not be liable to the Bondholders, the Issuer, Ping An Insurance Group or any other person for not doing so. The Trustee may rely conclusively on the certificate from the Issuer confirming the submission of the Post-Issuance Reporting Filing without liability to any Bondholder or any other person for and in relation to the accuracy, validity and/or genuineness of any matters or facts stated therein.

4.4 SAFE Filing and Notification

The Issuer undertakes that it will (i) before the Registration Deadline, register or cause to be registered with SAFE the Bonds pursuant to the Administrative Measures for Foreign Debt Registration and its operating guidelines issued by SAFE, effective as of 13 May 2013, which was further amended on 4 May 2015 (the “**Foreign Debt Registration**”), (ii) use its best endeavours to complete the Foreign Debt Registration and obtain a registration certificate (or any other document evidencing the completion of the Foreign Debt Registration) from SAFE on or before the Registration Deadline, and (iii) comply with all applicable PRC laws and regulations in relation to the Bonds.

The Issuer shall, within ten PRC Business Days after receipt of the registration certificate from SAFE, provide the Trustee with (a) a certificate in English substantially in the form set out in the Trust Deed signed by an Authorised Signatory confirming the completion of the Foreign Debt Registration with SAFE, and (b) copies of the relevant documents evidencing the completion of the Foreign Debt Registration with SAFE, each certified in English by an Authorised Signatory as a true and complete copy of the original.

The Trustee shall have no obligation or duty to monitor or to assist with the Foreign Debt Registration with SAFE or to ensure the Foreign Debt Registration is completed on or before the Registration Deadline or to verify the accuracy, validity and/or genuineness of any documents comprising or prepared or submitted in relation to or in connection with the Foreign Debt Registration with SAFE or to translate or procure the translation of any relevant document evidencing the completion of the Foreign Debt Registration with SAFE into English or to give notice to the Bondholders confirming the completion of the Foreign Debt Registration with SAFE, and the Trustee shall not be liable to the Bondholders, the Issuer or any other person for not doing so. The Trustee may rely conclusively and without investigation on the certificate from the Issuer confirming the completion of the Foreign Debt Registration with SAFE without liability to any Bondholder or any other person for or in relation to the accuracy, validity and/or genuineness of any matters or facts stated therein.

For the purposes of these Conditions:

- (A) “**Registration Business Day**” means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are generally open for business in Beijing, PRC;
- (B) “**Registration Deadline**” means the day falling 90 Registration Business Days after the Issue Date; and
- (C) “**SAFE**” means the State Administration of Foreign Exchange of the PRC or its local branch.

5 INTEREST

The Bonds bear interest on their outstanding principal amount from and including _____ at the rate of _____ per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.\$ _____ per Calculation Amount (as defined below) on _____ and _____ in each year (each an “**Interest Payment Date**”).

Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Bond, payment of principal or premium (if any) is improperly withheld or refused. In such event, it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder, and (ii) the day falling seven days after the Trustee or the Principal Paying Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

In these Conditions, the period beginning on and including _____ and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an **“Interest Period”**.

Interest in respect of any Bond shall be calculated per U.S.\$1,000 in principal amount of the Bonds (the **“Calculation Amount”**). The amount of interest payable per Calculation Amount for any period shall be equal to the product of the rate of interest specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

6 REDEMPTION AND PURCHASE

6.1 Final Redemption

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on _____ (the **“Maturity Date”**). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

6.2 Redemption for Taxation Reasons

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (in accordance with Condition 16) and to the Trustee and the Principal Paying Agent in writing (which notice shall be irrevocable), at their principal amount, together with interest accrued to but excluding the date fixed for redemption, if the Issuer satisfies the Trustee immediately prior to the giving of such notice that (i) it has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after _____ 2021, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due. Prior to the publication of any notice of redemption pursuant to this Condition 6.2, the Issuer shall deliver to the Trustee (a) a certificate signed by an Authorised Signatory stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it and (b) an opinion of counsel of recognised international standing with respect to tax matters of the PRC to the effect that the obligation to pay Additional Amounts results from a change in law described above, and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above of this Condition 6.2, in which event the same shall be conclusive and binding on the Bondholders.

Upon expiry of such notice as is referred to in this Condition 6.2, the Issuer shall be bound to redeem the Bonds in accordance with this Condition 6.2.

6.3 Redemption for Relevant Event

At any time following the occurrence of a Relevant Event, the holder of each Bond will have the right (the “**Relevant Event Put Right**”), at such holder’s option, to require the Issuer to redeem all, but not some only, of such holder’s Bonds on the Put Settlement Date at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption of a No Registration Event) of their principal amount, together in each case with interest accrued to but excluding the Put Settlement Date. To exercise such right, the holder of the relevant Bond must deposit at the specified office of the Principal Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of the Principal Paying Agent (a “**Put Exercise Notice**”), together with the Certificate evidencing the Bonds to be redeemed, by not later than 30 days following a Relevant Event or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 16.

The “**Put Settlement Date**” shall be the fourteenth day (in the case of a redemption for a Change of Control) or the fifth day (in the case of a redemption for a No Registration Event) after the expiry of such period of 30 days as referred to above.

A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds the subject of Put Exercise Notice delivered as aforesaid on the Put Settlement Date.

The Issuer shall give notice to Bondholders (in accordance with Condition 16) and to the Trustee and the Principal Paying Agent in writing by not later than 14 days following the first day on which it becomes aware of the occurrence of a Change of Control or by no later than five days following the first day on which it becomes aware of the occurrence of a No Registration Event, which notice in each case shall specify the procedure for exercise by Bondholders of their rights to require redemption of the Bonds pursuant to this Condition 6.3.

For the purposes of these Conditions, a “**Change of Control**” occurs when: Ping An Insurance Group does not or ceases to, at any time, own or control, whether directly or indirectly, at least 75 per cent. of the issued share capital of the Issuer; a “**No Registration Event**” occurs when the Registration Condition is not satisfied on or before the Registration Deadline;

“**Registration Condition**” means the receipt by the Trustee of the Registration Documents as set forth in Condition 4.4;

“**Registration Documents**” means (i) a certificate in English substantially in the form scheduled to the Trust Deed signed by an Authorised Signatory (as defined in the Trust Deed) confirming the completion of the Foreign Debt Registration with SAFE; and (ii) copies of the relevant documents evidencing the completion of the Foreign Debt Registration with SAFE, each certified in English by an Authorised Signatory as a true and complete copy of the original; and

a “**Relevant Event**” will be deemed to occur if:

- (i) there is a No Registration Event; or
- (ii) there is a Change of Control.

So long as the Bonds are represented by the Global Certificate, the right of Bondholders to redemption of the Bonds following the occurrence of a Relevant Event will be effected in accordance with the rules and procedures of the relevant clearing systems.

6.4 Calculations

Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying the calculations of any amount payable under any notice of redemption or Put Exercise Notice and none of them shall be liable to the Bondholders, the Issuer or any other person for not doing so.

6.5 Purchase

The Issuer and its Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of, among other things, Conditions 9, 12.1 and 13.

6.6 Cancellation

All Certificates representing Bonds purchased by or on behalf of the Issuer or any of its Subsidiaries shall be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Bonds shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Bonds shall be discharged.

For so long as any of the Bonds are represented by the Global Certificate, cancellation of any interests in the Global Certificate will be made according to the provisions contained in the Global Certificate.

7 PAYMENTS

7.1 Method of Payment

- (i) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of the Principal Paying Agent if no further payment falls to be made in respect of the Bonds represented by such Certificates) by transfer to the registered account of the Bondholder.
- (ii) Interest on each Bond shall be paid on the due date to the person shown on the Register at the close of business on the fifth Payment Business Day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Bond shall be made in U.S. dollars by transfer to the registered account of the holder. For the purpose of this Condition 7.1, a holder’s “**registered account**” means the U.S. dollar account maintained by or on behalf of such holder with a bank, details of which appear on the Register at the close of business on the Record Date.
- (iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of interest so paid.

*Notwithstanding the foregoing, so long as the Global Certificate is held on behalf of Euroclear Bank SA/NV, Clearstream Banking S.A. or any other clearing system, each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where “**Clearing System Business Day**” means a weekday (Monday to Friday, inclusive) except December 25 and January 1.*

7.2 Payments subject to Fiscal Laws

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto.

7.3 Payment Initiation

Payment instructions (for value the due date, or if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated on the due date for payment, or, in the case of payments of principal where the relevant Certificate has not been surrendered at the specified office of the Principal Paying Agent or of the Registrar, on a Payment Business Day on which the Principal Paying Agent is open for business and on which the relevant Certificate is surrendered.

7.4 Appointment of Agents

The Principal Paying Agent, the Registrar and the Transfer Agent initially appointed by the Issuer and their respective specified offices are listed below. The Principal Paying Agent, the Registrar and the Transfer Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Principal Paying Agent, the Registrar or the Transfer Agent and to appoint additional or other Transfer Agents and/or Paying Agents, provided that the Issuer shall at all times maintain (i) the Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent, and (iv) such other agents as may be required by any other stock exchange on which the Bonds may be listed, in each case, as approved in writing by the Trustee.

Notice of any such change or any change of any specified office or any appointment or termination of any Agent shall promptly be given by the Issuer to the Bondholders.

7.5 Delay in Payment

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day, or if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so).

7.6 Non-Payment Business Days

If any date for payment in respect of any Bond is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, “**Payment Business Day**” means a day (other than a Saturday, a Sunday or a public holiday) on which banks and foreign exchange markets are open for business in New York City, in the place in which the specified office of the Principal Paying Agent is located and in the place where payment is to be made by transfer to an account maintained with a bank in U.S. dollars.

8 TAXATION

All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the PRC or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

Where such withholding or deduction is made by the Issuer by or within the PRC up to and including the aggregate rate applicable on 2021 (the “**Applicable Rate**”), the Issuer will increase the amounts paid by it to the extent required so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

If the Issuer is required to make a deduction or withholding by or within the PRC in excess of the Applicable Rate, the Issuer shall pay such additional amounts (“**Additional Tax Amounts**”) as shall result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond:

- (i) **Other connection:** to a holder, (or to a third party on behalf of a holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the PRC other than the mere holding of the Bond or where the withholding or deduction could be avoided by the holder making a declaration of non-residence, declaration of identity or other similar claim for exemption to the appropriate authority; or
- (ii) **Presentation more than 30 days after the Relevant Date:** presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Tax Amounts on presenting it for payment on the thirtieth day.

“**Relevant Date**” in respect of any Bond means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Bondholders that, upon further surrender of the Certificate representing such Bond being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

References in these Conditions to “**principal**”, “**premium**” or “**interest**” shall be deemed to include any Additional Tax Amounts that may be payable under this Condition 8.

9 EVENTS OF DEFAULT

If any of the following events (each an “**Event of Default**”) occurs, the Trustee at its discretion may, and if so requested in writing by holders of at least 25 per cent. in aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall (provided in any such case that the Trustee shall have been indemnified and/or secured and/or prefunded to its satisfaction), give notice in writing to the Issuer that the Bonds are, and they shall immediately become, due and payable at 100 per cent. of their principal amount together (if applicable) with accrued interest:

- (i) **Non-Payment:** the Issuer fails to pay the principal of or any premium or interest on any of the Bonds when due and, in the case of interest, such failure continues for a period of 14 days; or
- (ii) **Breach of Other Obligations:** the Issuer does not perform or comply with any one or more of its other obligations in the Bonds or the Trust Deed, which default is in the opinion of the Trustee incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not remedied within 45 days after notice of such default shall have been given to the Issuer by the Trustee; or

- (iii) **Cross-Default:** (a) any other present or future indebtedness of the Issuer or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (b) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (c) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(iii) have occurred equals or exceeds U.S.\$35,000,000 or its equivalent in any other currency (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this Condition 9(iii) operates); or
- (iv) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against the whole or any material part of the property, assets or revenues of the Issuer or any of its Principal Subsidiaries and is not discharged or stayed within 45 days; or
- (v) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Principal Subsidiaries in respect of any material part of their respective property, assets or revenues becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and such enforcement step is not discharged or stayed or rescinded within 45 days; or
- (vi) **Insolvency:** the Issuer or any of its Principal Subsidiaries is (or is deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or a material part of its debts (or of any such part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of the Issuer or any of its Principal Subsidiaries; or
- (vii) **Winding-up:** an order by a court of competent jurisdiction is made or an effective resolution passed for the winding-up or dissolution of the Issuer or any of its Principal Subsidiaries, or the Issuer or any of its Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except (a) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution of the Bondholders, (b) in the case of a Subsidiary, whereby the undertaking and assets of the Subsidiary are transferred to or otherwise vested in the Issuer and/or another of its Subsidiaries, (c) in the case of a Subsidiary, for a solvent winding-up of any such Subsidiary or (d) in the case of a Subsidiary, for any disposal or sale of such Subsidiary to any other person on arms' length terms for market consideration, where the proceeds (whether in cash or otherwise) resulting from such disposal or sale are transferred or vested in the Issuer and/or its Subsidiaries; or
- (viii) **Nationalisation:** any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer or any of its Principal Subsidiaries; or

- (ix) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (a) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligation under the Bonds or the Trust Deed, (b) to ensure that those obligations are legally binding and enforceable and (c) to make the Bonds and the Trust Deed admissible in evidence in the courts of Hong Kong or the PRC is not taken, fulfilled or done; or
- (x) **Illegality:** it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Bonds or the Trust Deed, as the case may be; or
- (xi) **Analogous Events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 9(iv), 9(v), 9(vi) and 9(vii).

The Issuer has undertaken in the Trust Deed, amongst other things, that, within 14 days after any request by the Trustee, it will send to the Trustee a certificate signed by any two of its Authorised Signatories to the effect that as at a date not more than seven days prior to the date of the certificate no Event of Default or event or circumstance that could with the giving of notice, lapse of time and/or issue of a certificate become an Event of Default has occurred.

In this Condition 9, “**Principal Subsidiary**” means any Subsidiary of the Issuer:

- (A) whose total revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated total revenue, as shown by its latest audited income statement are at least three (3) per cent. of the consolidated total revenue as shown by the latest published audited consolidated income statement of the Issuer and its Subsidiaries including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries’ share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or
- (B) whose net profit or (in the case of a Subsidiary which itself has Subsidiaries) consolidated net profit, as shown by its latest audited income statement are at least three (3) per cent. of the consolidated net profit as shown by the latest published audited consolidated income statement of the Issuer and its Subsidiaries including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries’ share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or
- (C) whose total assets or (in the case of a Subsidiary which itself has Subsidiaries) consolidated total assets, as shown by its latest audited balance sheet are at least three (3) per cent. of the consolidated total assets of the Issuer and its Subsidiaries as shown by the latest published audited consolidated balance sheet of the Issuer and its Subsidiaries including, the investment of the Issuer in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Issuer and after adjustment for minority interests; or
- (D) to which is transferred the whole or substantially the whole of the assets of a Subsidiary of the Issuer which immediately prior to such transfer was a Principal Subsidiary, *provided that* (x) the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall forthwith become a Principal Subsidiary and (y) on or after the date on which the first published audited accounts (consolidated, if appropriate) of the Issuer prepared as of a date later than such transfer are issued, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Principal Subsidiary shall be determined on the basis of such accounts by virtue of the provisions of paragraphs (A), (B) or (C) above of this definition;

provided that, in relation to paragraphs (A), (B) and (C) above of this definition:

- (i) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Issuer relate, the reference to the then latest consolidated audited accounts of the Issuer for the purposes of the calculation above shall, until consolidated audited accounts of the Issuer for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then latest consolidated audited accounts of the Issuer adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;
- (ii) if at any relevant time in relation to the Issuer or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, total revenue, net profit or total assets of the Issuer and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Issuer;
- (iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its total revenue, net profit or total assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Issuer; and
- (iv) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Issuer, then the determination of whether or not such Subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Issuer.

A certificate in English (substantively in the form scheduled to the Trust Deed) signed by an Authorised Signatory, accompanied with relevant audited accounts (consolidated, if appropriate) that in its opinion (making such adjustments (if any) as it shall deem appropriate) a Subsidiary is or is not or was or was not at any particular time or during any particular period a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Issuer, the Trustee and the Bondholders, and the Trustee shall be entitled to rely upon such certificate without further investigation or query and without liability to the Bondholders or any other person.

10 PRESCRIPTION

Claims against the Issuer for payment in respect of the Bonds shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

11 REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or such Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Bondholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require (provided that the requirement is reasonable in light of prevailing market practice) or as the Registrar or such Transfer Agent may in its discretion require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12 MEETINGS OF BONDHOLDERS, MODIFICATION AND WAIVER

12.1 Meetings of Bondholders

The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including without limitation the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed or the Agency Agreement. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Trustee if it is requested in writing by Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity or redemption of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, any premium payable on redemption of, or any interest on, the Bonds, (iii) to change the currency of payment of the Bonds or (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in aggregate principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that (a) a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in aggregate principal amount of the Bonds for the time being outstanding or (b) a resolution passed by way of electronic consents through Euroclear and Clearstream (in a form satisfactory to the Trustee) by or on behalf of holders of not less than 90 per cent. of the aggregate principal amount of the Bonds for the time being outstanding shall in each case for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

12.2 Modification of the Trust Deed or the Agency Agreement

The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement that is in the opinion of the Trustee of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of applicable law, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement that is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and, unless the Trustee otherwise agrees, such modification, authorisation or waiver shall be notified by the Issuer to the Bondholders as soon as practicable in accordance with Condition 16.

12.3 Entitlement of the Trustee

In connection with the exercise of its functions, rights, powers and discretions (including but not limited to those referred to in this Condition 12) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

13 ENFORCEMENT

At any time after the Bonds become due and payable, the Trustee may, at its discretion and without further notice, take such steps and/or actions and/or institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed and the Bonds (as relevant), but it need not take any such steps and/or actions and/or institute any such proceedings unless (i) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Bondholders holding at least 25 per cent. in aggregate principal amount of the Bonds outstanding, and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Bondholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

14 INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking steps and/or actions and/or instituting proceedings to enforce its rights under the Trust Deed, the Agency Agreement and/or these Conditions and in respect of the Bonds and payment or taking other actions unless first indemnified and/or secured and/or pre-funded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and any entity related (directly or indirectly) to the Issuer without accounting for any profit.

The Trustee may rely without liability to Bondholders, the Issuer or any other person on any report, confirmation, certificate or information from or any advice or opinion of any legal advisers, accountants, financial advisers, financial institution or any other expert or professional, whether or not obtained by or addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, certificate, information, advice or opinion, in which event such report, confirmation, certificate, information, advice or opinion shall be binding on the Issuer and the Bondholders.

Neither the Trustee nor any of the Agents shall have any obligation to ascertain or monitor whether an Event of Default, Potential Event of Default or Relevant Event has occurred or to monitor compliance by the Issuer with the provisions of the Trust Deed, the Agency Agreement and/or these Conditions, and none of them shall be liable to the Bondholders or any other person for not doing so. Each Bondholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer and/or any of its Subsidiaries, and the Trustee shall not at any time have any responsibility for the same and each Bondholder shall not rely on the Trustee in respect thereof.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement, the Bonds and/or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision or giving any such direction, to seek directions from the Bondholders by way of Extraordinary Resolution, and the Trustee shall not be responsible for any loss or liability incurred by the Issuer, the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking such action, making such decision or giving such direction as a result of seeking such direction from the Bondholders or in the event that no direction is given to the Trustee by the Bondholders.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer and any other person appointed by the Issuer in relation to the Bonds of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Bondholder, the Issuer or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Bondholders. The Trustee shall be entitled to rely on any direction, request or resolution of Bondholders given by holders of the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed.

15 FURTHER ISSUES

The Issuer may from time to time without the consent of the Bondholders create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date and the first payment of interest on them and the timing for complying with the Registration Condition and making of the Foreign Debt Registration with SAFE and the Post-Issuance Reporting Filing) and so that such further bonds shall be consolidated and form a single series with the outstanding Bonds. References in these Conditions to the Bonds include (unless the context requires otherwise) any further bonds issued pursuant to this Condition 15 and consolidated and forming a single series with the Bonds. Any further bonds consolidated and forming a single series with the outstanding Bonds shall be constituted by a deed supplemental to the Trust Deed.

16 NOTICES

Notices to the holders of Bonds shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday or a public holiday) after the date of mailing. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

So long as the Global Certificate is held on behalf of Euroclear Bank SA/NV, Clearstream Banking S.A. or any other clearing system, any notice to the holders of the Bonds shall be validly given by the delivery of such notice to the relevant clearing system, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

17 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999 except and to the extent (if any) that the Bonds expressly provide for such Act to apply to any of their terms.

18 GOVERNING LAW AND JURISDICTION

18.1 Governing Law

The Trust Deed, the Agency Agreement and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

18.2 Jurisdiction

The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds and accordingly any legal action or proceedings arising out of or in connection with any Bonds (“**Proceedings**”) may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

18.3 Agent for Service of Process

The Issuer has irrevocably appointed Ping An Leasing Hong Kong Holdings Limited (currently at Room 803, Lippo Sun Plaza, 28 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong) as its agent in Hong Kong to receive service of process in Hong Kong based on any of the Bonds. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Issuer). If for any reason the Issuer ceases to have such an agent in Hong Kong, it will promptly appoint a new agent in Hong Kong to accept service of process and deliver to the Trustee a copy of the agent’s acceptance of that appointment within 30 days of such cessation. Nothing herein shall affect the right to serve process in any other manner permitted by law.

18.4 Waiver of Immunity

The Issuer hereby waives any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and irrevocably consents to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The Summary of Provisions Relating to the Bonds in Global Form contains provisions which apply to the Bonds while they are in global form, some of which modify the effect of the Terms and Conditions set out in this Offering Circular. The following is a summary of certain of those provisions. Terms defined in the Terms and Conditions set out in this Offering Circular have the meaning in the paragraphs below.

The Bonds will be represented by a Global Certificate which will be registered in the name of a nominee of, and deposited with, a common depositary on behalf of Euroclear and Clearstream.

Under the Global Certificate, the Issuer, for value received, will promise to pay such principal, interest and premium (if any) on the Bonds to the holder of the Bonds on such date or dates as the same may become payable in accordance with the Terms and Conditions.

Owners of interests in the Bonds in respect of which the Global Certificate is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive Certificates if either Euroclear or Clearstream or any other clearing system (an “**Alternative Clearing System**”) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

The individual definitive Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Certificate. Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of the Bonds scheduled thereto and, in particular, shall be effected without charge to any holder of the Bonds or the Trustee, but against such indemnity and/or security as the Registrar or the relevant Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

The Issuer will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant holders of the Bonds. A person with an interest in the Bonds in respect of which the Global Certificate is issued must provide the Registrar not less than 30 days’ notice at its specified office of such holder’s intention to effect such exchange and a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

In addition, the Global Certificate will contain provisions which modify the Terms and Conditions as they apply to the Bonds evidenced by the Global Certificate. The following is a summary of certain of those provisions:

Payments

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of a clearing system, the Issuer has promised, *inter alia*, to pay interest in respect of such Bonds from the Issue Date in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Terms and Conditions, save that the calculation is made in respect of the total aggregate amount of the Bonds represented by the Global Certificate, and to pay such other sums and additional amounts (if any) as may be payable under the Terms and Conditions, in accordance with the Terms and Conditions.

Notices

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or any Alternative Clearing System, notices to holders of the Bonds shall be given by delivery of the relevant notice to Euroclear or Clearstream or such Alternative Clearing System, for communication by it to accountholders entitled to an interest in the Bonds in substitution for notification as required by the Terms and Conditions.

Meetings

For the purposes of any meeting of Bondholders, the holder of the Bonds represented by the Global Certificate shall (unless the Global Certificate represents only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and as being entitled to one vote in respect of each U.S.\$1,000 in principal amount of Bonds for which the Global Certificate is issued.

Authentication

The Global Certificate shall not become valid for any purpose until authenticated by or on behalf of the Registrar.

Bondholder's Redemption

The Bondholder's redemption option in Condition 6.3 (*Redemption for Relevant Events*) of the Terms and Conditions may be exercised by the holder of the Global Certificate giving notice to the Principal Paying Agent of the principal amount of Bonds in respect of which the option is exercised within the time limits specified in the Terms and Conditions.

Issuer's Redemption

The option of the Issuer provided for in Condition 6.2 (*Redemption for Taxation Reasons*) of the Terms and Conditions shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by the relevant Condition.

Transfers

Transfers of interests in the Bonds will be effected through the records of Euroclear and Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any Alternative Clearing System) and their respective direct and indirect participants.

Cancellation

Cancellation of any Bond by the Issuer following its redemption or purchase by the Issuer will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders.

Trustee's Powers

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obligated to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

USE OF PROCEEDS

The gross proceeds to the Issuer from its sale of Bonds pursuant to this Offering Circular will be U.S.\$, and, after deducting commissions and estimated offering related expenses, will be used for further business development.

CAPITALISATION AND INDEBTEDNESS OF THE ISSUER

As at 31 December 2020, the paid-in capital of the Group was approximately RMB14.2 billion.

The following table sets forth on an actual basis the Group's consolidated capitalisation and indebtedness as at 31 December 2020 which has been extracted from the audited consolidated financial statements of the Group as at and for the year ended 31 December 2020 and as adjusted to give effect to the issue of the Bonds before deduction of any fees, commissions and expenses.

This table should be read in conjunction with the Group's audited consolidated financial statements as at and for the year ended 31 December 2020 and related notes thereto included elsewhere in this Offering Circular.

Except as otherwise disclosed herein, there has been no material change in the Group's total capitalisation (as set out below) since 31 December 2020.

	As at 31 December 2020	
	<i>Actual</i>	<i>As adjusted</i>
	(RMB) (Audited)	(RMB) (Unaudited)
Current borrowing⁽¹⁾		
– Short-term borrowings	28,736,945,993	28,736,945,993
– Current portion of long-term borrowings	29,267,306,758	29,267,306,758
– Short-term bonds payable	27,542,615,275	27,542,615,275
Total current borrowings	85,546,868,026	85,546,868,026
Non-current borrowings		
– Long-term borrowings	44,445,594,306	44,445,594,306
– Bonds payable	39,110,782,817	39,110,782,817
– Bonds to be issued ⁽²⁾	–	–
Total non-current borrowings	83,556,377,123	
Total equity⁽³⁾	41,112,318,426	41,112,318,426
Total capitalisation⁽⁴⁾	124,668,695,549	

- (1) Current borrowings include the current portion of long-term borrowings and bonds payable and short-term borrowings and bonds payable.
- (2) Bonds to be issued is the gross proceeds before taking into account of the related transaction costs, the amount of which is translated from U.S. dollars into RMB based on the exchange rate of RMB6.5250 to U.S.\$1.00, the noon buying rate in effect on 31 December 2020 as set forth in the H.10 weekly statistical release of the Board of the Governors of the Federal Reserve System of the United States.
- (3) Total equity comprises paid-in capital, other equity instruments, capital surplus, other comprehensive income, surplus reserve, general risk reserve, undistributed profits and non-controlling interests.
- (4) Total capitalisation equals total non-current borrowings and total equity.
- (5) The Issuer has issued several series of credit bonds in the PRC onshore capital market. For details, see “Description of the Issuer – Competitive Strengths – Strong financial position with access to diverse sources”.

DESCRIPTION OF THE ISSUER

OVERVIEW

Ping An Leasing was incorporated on 27 September 2012 in Shanghai, PRC as a wholly-owned subsidiary of Ping An Insurance with an initial registered capital of RMB0.3 billion. As at 31 December 2020, Ping An Leasing has a registered capital of approximately RMB14.5 billion, which ranked it second within foreign-invested financial leasing companies and third within the financial leasing industry, respectively, in the PRC as at the same date. As at 31 December 2020, the Group has a total assets of approximately RMB278.0 billion, which ranked it first within foreign-invested financial leasing companies and fourth within the financial leasing industry, respectively, in the PRC as at the same date. The Group, headquartered in Shanghai with 20 offices nationwide, was established as a key platform in implementing Ping An Insurance's comprehensive operating strategy and products offering. Ping An Insurance is the largest insurer in the PRC, a Forbes Global 2000 company, and is dually listed on the Hong Kong Stock Exchange (Stock Code: 2318) and the Shanghai Stock Exchange (Stock Code: 601318). Together with its subsidiaries, Ping An Insurance has provided the Group with full support in its business development.

The Group has a strong leasing presence in various business segments, including corporate finance, urban development, engineering and construction, energy and automobile finance, health care and manufacturing. The Group generates income primarily via the following business streams:

- **Core leasing business:** the Group mainly engages in the provision of finance leases, factoring services, and trust loans to its customers;
- **Advisory business:** the Group also provides advisory services to customers mainly in its core leasing business; and
- **Operating lease business:** the Group mainly engages in the leasing of equipment directly purchased by it from the suppliers.

In recent years, with the emergence of a more diverse range of leasing products and a continually improving regulatory environment, the leasing industry has been playing an increasingly important role in the PRC financial system. Since commencing operations in 2012, the Group has weathered economic and industry cycles and regulatory reforms, and gained experience through continual improvement in its business operations, product innovation and exploration of new sectors. The Group has identified key sectors, namely, urban development, energy, and manufacturing industries among others, which have well-developed business model, good asset quality and growth potential, and key customer groups, namely, large and medium-sized, high-quality corporate customers who are market leader in its industry and have a superior record of debt financing repayments, as the primary focus of its core leasing business. The Group also strives to extend its leasing presence by offering its services to small and micro businesses and individuals.

The continued market-oriented reform of the PRC financial industry, increasing demand for customised leasing products and services, the development of cutting-edge technology and favourable government policies have advanced the financial leasing industry into the 3.0 era featuring finance empowered by technology. The Group's market leading position, strong operating track record, well-developed business model empowered by technology and premier brand name will enable it to seize such opportunities and lead and further revolutionize the industry in this 3.0 era. For further details related to the technology empowerment of the Group's business, see “– *Strategic Targeted Industries*” in this section of this Offering Circular. The extensive experience The Group has gained through economic and industry cycles in the PRC enables it to achieve sustained growth in the next stage of the PRC's economic transformation and continue to maintain its leading position in the fast developing PRC leasing industry. Additionally, with support from Ping An Insurance, the Group has received high international credit ratings among PRC financial institutions; its superior funding capabilities provide strong support to its business development and help it generate attractive financial returns.

In recognition of its achievements, the Issuer has received numerous awards, which include the following:

- “Charity Impact Award” from 2018 to 2021 by China Charity Festival;
- “Best Employer of the Year” and “Best Talents Developer of the Year” in 2020 by Shanghai Lujiazui Financial City Administration Bureau;
- “Financial Industry Outstanding Contribution Award” from 2015 to 2020 by People’s Government of Pudong New Area, Shanghai;
- “Most Influential Financial Leasing Company” in 2020 by Global Leasing Industry Competitiveness Forum Summit;
- “Excellent Inclusive Financial Innovation Service Platform” in 2020 by *21st Century Business Herald*;
- “1st Optimized Financing Supervision Letter in Leasing Industry” in 2020 by Shanghai Stock Exchange;
- “Annual CSR Award” from 2018 to 2020 by People Corporate Social Responsibility Forum by *People*;
- “Outstanding Bond Issuer” from 2018 to 2020 by the Shanghai Stock Exchange;
- “Outstanding Originator of Asset-backed Securities” from 2018 to 2020 by the Shanghai Stock Exchange;
- “Most Respected Enterprise of the Year Award” from 2017 to 2020 by *The Economic Observer*;
- “The Best Leasing Company” in 2016, 2018 to 2020 by Golden Medal Awards Ceremony of China Financial Institutions;
- “Financial Industry Outstanding Contribution Award” from 2015 to 2020 by the People’s Government of Pudong New Area, Shanghai;
- “The Best Financial Leasing Company” of the 21st Century Business Herald by Golden-Shell Award of China Asset Management from 2017 to 2019;
- “Shanghai Financial Innovation Achievement Award – third prize” by Shanghai Municipal People’s Government in 2018;
- “2018 Chinese Enterprise Organizational Capability Survey Best Practice Award” in 2018 at the third China Enterprise Organizational Capability Research Report Interpretation Conference;
- “2017 China Finance Leasing Company of the Year” by China Finance Leasing Yearly Convention;
- “2017 Most Socially Responsible Leasing Company” by China International Financial Forum;
- “Most Respected Company” in 2017 by *The Economic Observer*, the first financial leasing company which ever won this award since its inception 16 years ago;
- “Top 10 Leading Brands (by Industry) in China” in 2016 by Asian Brand Association;
- “Outstanding Financial Leasing Service Provider of the Year” in 2016 by *The Economic Observer*;
- “Best Financial Leasing Company of the Year” in 2016 by *Financial Times*;

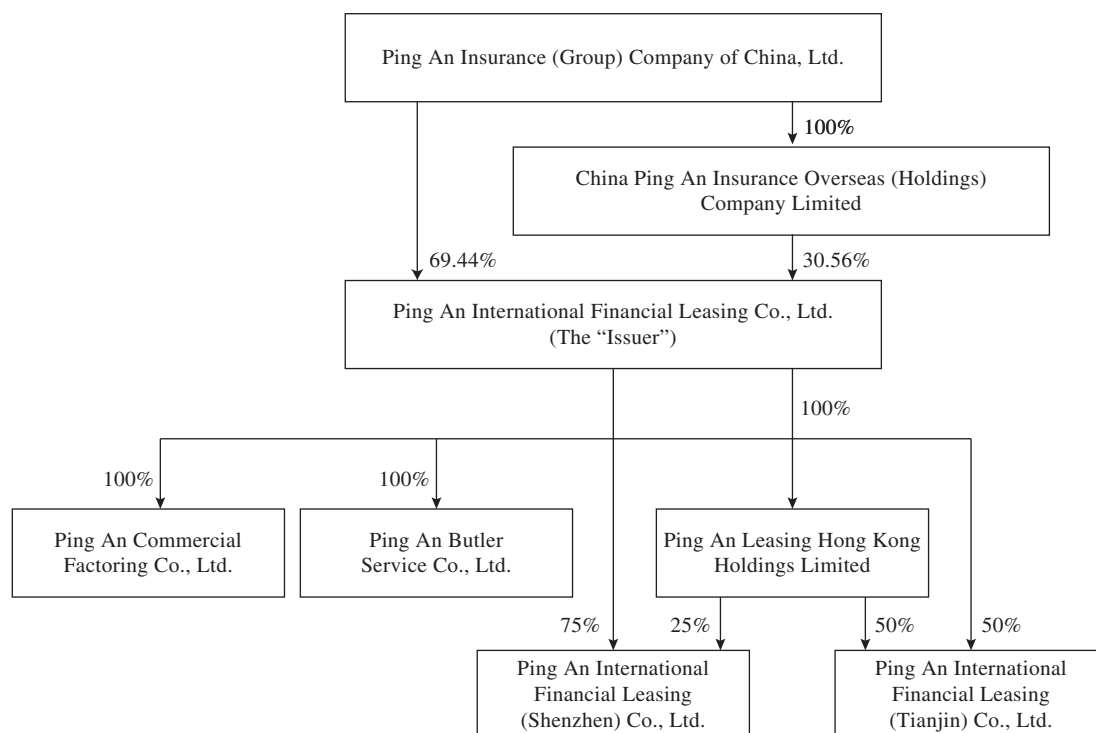
- “Top Ten Chinese Leasing Enterprise” Award in 2014 by China Rental Union; and
- “Top Growth Award” in 2014 by Shanghai Finance Leasing Association.

The past three years’ financial performance of the Group showcased its strong revenue-generating and profit-making capability and its robust and healthy balance sheet and liquidity even under the adverse impact of the Covid-19 pandemic. For the years ended 31 December 2018, 2019 and 2020, the Group’s revenue amounted to approximately RMB15.1 billion, RMB19.7 billion and RMB19.4 billion, respectively. For the years ended 31 December 2018, 2019 and 2020, the Group’s gross profit amounted to approximately RMB4.4 billion, RMB6.0 billion and RMB5.4 billion, with a gross profit margin of 45.1%, 49.9% and 51.9%, and its net profit amounted to approximately RMB3.2 billion, RMB4.4 billion and RMB3.8 billion with a net profit margin of approximately 21.2%, 22.6% and 19.8%, respectively. For the years ended 31 December 2018, 2019 and 2020, the Group managed to have a return on average assets of approximately 1.6%, 1.8% and 1.4% and a return on average equity of approximately 12.4%, 13.3% and 9.8%, respectively.

In terms of its balance sheet and liquidity, for the years ended 31 December 2018, 2019 and 2020, the Group’s total assets amounted to approximately RMB234.7 billion, RMB254.5 billion and RMB278.0 billion and its total equity amounted to approximately RMB29.2 billion, RMB37.6 billion and RMB 41.1 billion, respectively. As at the same dates, the Group’s net long-term receivables (including receivables from the Group’s business of financial leasing, factoring and trust loans) amounted to approximately RMB191.4 billion, RMB 215.8 billion and RMB 246.1 billion, respectively, with a non-performing assets ratio of 0.9%, 1.1% and 1.2% and provision coverage ratio of 190.6%, 174.2% and 196.0%, respectively.

CORPORATE STRUCTURE

The chart below sets forth a simplified corporate structure of the Group which illustrates the corporate relationships between the Issuer, its shareholders and principal subsidiaries as at the date of this Offering Circular:



CORPORATE HISTORY

The following table illustrates the significant milestones in the Group's history.

Year	Event
2012	<ul style="list-style-type: none"> The Group was incorporated by Ping An Insurance as its wholly owned subsidiary on 27 September 2012, with a registered capital of approximately RMB0.3 billion paid in November of the same year.
2013	<ul style="list-style-type: none"> In February 2013, Ping An Insurance injected approximately RMB0.5 billion to increase the Group's registered capital to approximately RMB0.8 billion. In May 2013, the Group achieved profitability. In July 2013, Ping An Insurance injected approximately RMB1.2 billion to increase the Group's registered capital to approximately RMB2.0 billion. In October 2013, Ping An Insurance injected approximately RMB1.0 billion to increase the Group's registered capital to approximately RMB3.0 billion. In November 2013, the Group's total assets exceeded RMB10.0 billion. In December 2013, the Group's realized profit up to RMB15.0 million on the first anniversary of its incorporation.
2014	<ul style="list-style-type: none"> In January 2014, Ping An Insurance injected approximately RMB1.6 billion to increase the Group's registered capital to approximately RMB4.6 billion. In February 2014, the Group launched its the first syndication loan. In March 2014, Ping An Insurance injected approximately RMB1.6 billion to increase the Group's registered capital to approximately RMB6.2 billion. In April 2014, Ping An Insurance injected approximately RMB1.3 billion to increase the Group's registered capital to approximately RMB7.5 billion. In June 2014, the Group was ranked AAA credit rating by Shanghai Brilliance Credit Rating & Investors Service Co, Ltd. In December 2014, the Group was awarded "2014 Leasing Company" by the China Leasing Business Association.

Year	Event
2015	<ul style="list-style-type: none"> In March 2015, the Group was awarded “2014 Outstanding Contribution Award for Financial Industry” by the People’s Government of Pudong New Area. In April 2015, Ping An Insurance injected approximately RMB1.8 billion to increase the Group’s registered capital to approximately RMB9.3 billion. <p>The Group launched RMB3.0 billion onshore syndication loan and successfully issued the first private placement note.</p>
2016	<ul style="list-style-type: none"> In November 2016, the Group’s total assets exceeded RMB100.0 billion.
2017	<ul style="list-style-type: none"> In November 2017, the Group’s registered capital was increased for approximately RMB2.9 billion from approximately RMB9.3 billion to approximately RMB12.2 billion, which has been paid up to approximately RMB2.7 billion as at March 2019 for the paid-in capital to reach approximately RMB12.0 billion.
2018	<ul style="list-style-type: none"> In May 2018, the Group’s registered capital reached approximately RMB13.2 billion and approximately RMB1.0 billion registered capital was paid in full by Ping An Insurance on June 2018 for the paid-in capital to reach RMB13.0 billion. In June 2018, the Group’s total assets exceeded RMB200.0 billion. In August 2018, the Group launched automated approval processes in auto financing retail business and successfully issued its first green bonds in private placement market.
2019	<ul style="list-style-type: none"> In May 2019, the Group was awarded the “Best Leading Auto Finance Enterprise Award”. In June 2019, with a new full payment of approximately RMB0.7 billion by Ping An Insurance as registered capital, the Group’s total registered capital grew to approximately RMB13.9 billion with a paid-in capital totaled RMB13.7 billion. In November 2019, the Group was awarded “The Most Respected Enterprise of 2019” by the Economic Observer.
2020	<ul style="list-style-type: none"> In May 2020, the Group was awarded “The Most Respected Enterprise of 2020” by the Economic Observer. In the year of 2020, the Group credited approximately RMB0.6 billion of its capital reserve into its registered capital such that the Group’s total registered capital reached approximately RMB14.5 billion as at 31 December 2020 of which RMB14.2 billion paid in full.

As at the date of this Offering Circular, the registered capital of the Group was maintained at approximately RMB14.5 billion with approximately RMB14.2 billion of which paid in full.

RECENT DEVELOPMENT

The Recent Coronavirus Epidemic Outbreak

A novel and highly contagious virus causing pneumonia-like illness was detected toward the end of 2019 and was later named by the World Health Organization as COVID-19 in early 2020. Several cities in China were under a lockdown and imposed travel restrictions in an effort to curb the spread of the highly infectious novel coronavirus. The coronavirus outbreak poses potential risks to the business operations and financial condition. See *“Risk Factors – Risks Relating to the Group’s Overall Business – The Group may face certain risks associated with the outbreak of COVID-19”* and *“Risk Factors – Risks relating to the PRC – China has experienced a slowdown in its economic development and the future performance of China’s economy is uncertain”*. All of Group’s projects under development were delayed due to the lengthened Chinese New Year holiday in response to the COVID-19 pandemic.

Starting from February 2020, the suspended projects under development have resumed work. None of projects’ overall schedules are expected to be delayed because of such suspension. For the year ended 31 December 2019 and 2020, the Group’s revenue was approximately RMB19.7 billion and RMB19.4 billion, respectively, with a recorded gross profit of approximately RMB6.0 billion and RMB5.4 billion and net profit of approximately RMB4.4 billion and RMB3.8 billion, respectively, during the same periods. The Group saw an increase of total owners’ equity from RMB37.6 billion to RMB41.1 billion for the years ended 31 December 2019 and 2020 and managed to generate a net amount of RMB5.4 billion in cash and cash equivalent for the year ended 31 December 2020. As such, the COVID-19 pandemic did not have a material impact on the Group’s operational and financial conditions for the financial year ended 31 December 2020.

As at 31 December 2018, 2019 and 2020, the Group had cash and bank balances of approximately RMB20.4 billion, RMB10.4 billion and RMB14.8 billion, and non-current assets maturing within one year of approximately RMB68.2 billion, RMB95.4 billion and RMB119.0 billion respectively, against total short-term borrowings of approximately RMB40.3 billion, RMB28.7 billion and RMB34.9 billion, as at the same dates respectively. With such sufficient liquidity, empowered by its sound internal risk management, various financial products offering, superior customer base and continuing support by Ping An Insurance, the Group will continue to closely monitor the global development of the epidemic and actively respond to its impact on the Group’s financial conditions and business results.

Finance Lease Business Development

Financial leasing is the principal business activity of the Group. The Group derived its revenue primarily from financial leasing. The Group has identified key sectors which have well-developed business model, good asset quality and growth potential, and key customer groups, namely, large and medium-sized, high-quality corporate customers who are market leader in its industry and have a superior record of debt financing repayments, as the primary focus of its finance leasing business development. The Group has always been striving to steadily build cooperation relationship with market leaders in its targeted businesses sector and finally extend its leasing presence by offering its services to these superior customers. The following table sets out the details of the Group's five largest customers for its finance leasing business as at 31 March 2021:

	Amount	Percent of total financial lease assets value	Contract terms	Annual interest rate	Independent third party
	<i>(RMB in billion)</i>	<i>(%)</i>	<i>(year)</i>		
Customers					
Qingdao Subway Group Co., Ltd. (青島地鐵集團 有限公司)	1.0	0.43	2	4%-5%	Y
Lhasa Construction Investment Management Co., Ltd. (拉薩市城市建 設投資經營有限公司) . .	0.6	0.26	5	8%-9%	Y
Chengdu Wuhou Industry Investment & Development Group Co., Ltd. (成都武侯產業 發展投資管理集團有限 公司)	0.6	0.24	5	6%-7%	Y
Huai'an State Joint Investment Development Group Co., Ltd. (淮安市 國有聯合投資發展集團 有限公司)	0.5	0.23	4	5%-6%	Y
Qingdao Xihai Development (Group) Co., Ltd. 青島西海開發 展(集團)有限公司-.	0.5	0.22	3	5%-7%	Y
Total	<u>3.2</u>	<u>1.39</u>			

For details of the Group's finance lease business and its major customers as at 31 December 2020, please see "– Business Streams – Core leasing business – Finance lease".

COMPETITIVE STRENGTHS

The Group believes that its success and future prospects are supported by a combination of the following competitive strengths:

A wholly-owned subsidiary with strategic importance to Ping An Insurance

As at the date of this offering circular, the Group is the key financial leasing platform and a wholly-owned subsidiary of Ping An Insurance, an industry-leading financial services conglomerate. Ping An Insurance is one of the largest insurers in the world, and its comprehensive business strength and tremendous brand value have won it numerous accolades and awards in the PRC and globally from independent third parties such as established authorities rating agencies and media, and is dually listed on the Hong Kong Stock Exchange (Stock Code: 2318) and the Shanghai Stock Exchange (Stock Code: 601318). For details of Ping An Insurance and its key subsidiaries, see “*Controlling Shareholder*”.

The Group continues to receive strong support from Ping An Insurance. Ping An Insurance provides financial support for the Group’s business operations through multiple equity and cash injections including the initial registered capital of RMB0.3 billion from the Group’s inception and periodic capital support afterwards totalling RMB14.5 billion in terms of registered capital as at 31 December 2020. For details of the capital injection provided by Ping An Insurance to the Group, see “– *Corporate History*”. In terms of registered capital, as at 31 December 2020, the Issuer ranked second within non-financial leasing companies and third within the financial leasing industry, respectively, in the PRC.

Access to Ping An Insurance’s network and client base and connections also enables the Group with a wide array of diversified, high value-added services beyond traditional leasing. The ability to act as full-service provider with full financial and network support from Ping An Insurance helps distinguish the Group from other domestic and international leasing companies.

Strong earning business model with steady growth potential strategically targeted at superior industries including micro finance and auto finance

The Group has grown rapidly by targeting a diverse set of industries, and customers of various economies of scale. Due to the strong capital support it receives from Ping An Insurance and the overall Ping An Insurance platform, the cutting-edge technology it embraced for its risk control and the sound business development strategy it applies by its experienced marketing team, the Group has been able to offer its range of product offerings to sectors such as urban development, micro-finance, automobile financing, engineering and construction, energy, and manufacturing. For details of the Group’s targeted strategic industries particularly micro finance and automobile finance in its core leasing business, see “– *Strategically Targeted Industries*” in this section of the Offering Circular. The strategy to target a diversity of industries and customers, and the ability to offer a wide range of equipment leasing solutions allow the Group to maintain a strong presence in various industries.

Through its relationship with Ping An Insurance, the Group enjoys numerous advantages over its competitors in terms of developing and retaining customers, particularly those who are looking for an integrated solution to their financial needs both in the PRC. Through joint marketing with key Ping An Insurance subsidiaries, the Group has access to Ping An Insurance’s large corporate client base and has developed new relationships with its top-tier customers. By targeting the Ping An Insurance’s customers with a need for long-term financing and balance sheet optimisation, the Group has developed a large, high-quality customer base in less than a decade.

Well-positioned to benefit from the steady growth of the financial leasing industry and from the PRC government's increasing focus on favourable industry policies

The Group is in an industry that has experienced steady growth over the recent years. The PRC government has also promulgated a number of favourable policies to promote the financial leasing industry accordingly. With its industry reputation, technical know-how and management expertise, the Group is well-positioned to benefit from the industry growth and expand its business.

In terms of macro policies, the 2007 National Financial Work Conference emphasized the need to vigorously develop the leasing industry and provide financing services for the technological transformation and equipment upgrading of enterprises. The 12th Five-Year Plan (“十二五”計畫) provides the need to better utilise the asset allocation and financing service functions of financial services provides engaged in credit financing, securities, trusts, wealth management, leasing, guarantees, online banking, etc. In the “General Office of the State Council on Financial Support for Economic Restructuring and Transformation and Upgrading Guiding Opinions on Financial Support for Economic Restructuring and Transformation and Upgrading” (《國務院辦公廳關於金融支持經濟結構調整和轉型升級的指導意見》(國辦發[2013]67號)), it is clearly pointed out that it is national policy to encourage private capital to invest in financial institutions and participate in the restructuring and transformation of financial institutions. Private capital is also welcomed for investment in financial institutions and to participate in the restructuring of financial institutions. The executive meeting of the State Council held in August 2015 determined the measures to accelerate the development of financial leasing industry, which included the following: (1) to simplify and decentralize the establishment of subsidiaries of financial leasing companies, (2) to encourage enterprises to promote the exportation of equipment through leasing and to promote international cooperation, and (3) to promote financial leasing as a driver to the broader economy through incentives and compensation in all geographical locations. The series of policy measures shows that China has taken financial leasing as an important financial service and provided strong support for the development of the financial leasing industry at the macro policy level.

As for the legal environment, the third draft of the Financial Leasing Law (《融資租賃法》第三次徵求意見稿) has been revised, and this law has made comprehensive and detailed provisions on the rights and obligations of the leasing parties, which will better protect the legal rights and interests of the parties to financial leasing. In addition, in February 2014, the Supreme People's Court published the Interpretation of the Supreme People's Court on the Application of Law to the Trial of Disputes over Financial Leasing Contracts (《最高人民法院關於審理融資租賃合同糾紛案件適用法律問題的解釋》) in February 2014, further improving the certainty in the legal environment of the financial leasing industry.

In terms of accounting treatment, the Ministry of Finance promulgated the Accounting Standards for Enterprises – Leases (《企業會計準則—租賃》) in 2001 and amended the same in 2006. The Standards draw on the experience of relevant accounting standards of foreign financial leasing industry accounting standards and is in line with the international treatment.

Some cities have also increased their local policies to support the financial leasing industry. Tianjin, Chongqing, Shanghai and other cities have taken the development of financial leasing as an important strategic initiative. In recent years, policies such as the “Notice of the General Administration of Customs of the Ministry of Finance and the State Administration of Taxation on the Pilot Project of Export Tax Refund for Ships under Financial Lease in Tianjin” (《財政部海關總署、國家稅務總局關於在天津市開展融資租賃船舶出口退稅試點的通知》), the “Notice of the China Banking Regulatory Commission on Issues Related to the Establishment of Project Companies by Financial Leasing Companies in Domestic Bonded Areas to Carry Out Financial Leasing Businesses” (《中國銀監會關於金融租賃公司在境內保稅地區設立項目公司開展融資租賃業務有關問題的通知》), the “Announcement of the State Administration of Taxation on Taxation Issues Related to the Sale of Assets by Lessees in Financial Sale and Leaseback Businesses” (《國家稅務總局關於融資性售後回租業務中承租方出售資產行為有關稅收問題的公告》) have been promulgated one after another, which have better solved the difficulties in the leasing of ships for export, leasing in bonded areas and sale and leaseback transactions by financial leasing companies. Along with the establishment of the Shanghai Free Trade Zone, the “People's Bank of China's Opinions

on Financial Support for the Construction of the China (Shanghai) Pilot Free Trade Zone” (《中國人民銀行關於金融支持中國(上海)自由貿易試驗區建設的意見》) also formulated a number of preferential policies for the financial leasing business.

Prudent leasing management centrally monitored and supported by Ping An Insurance

The Group is prudent in its leasing strategies and selects transactions and leased assets with stable cash flows, low depreciation rate and long useful life period through proactively monitoring market conditions. The Group believes that a conservative and prudent approach to leasing strategies allows it to maintain financial stability. The Group's transaction and asset selection strategies are further enhanced by the support of and monitored by Ping An Insurance's investment management committee and strong corporate governance structure. The Group's primary revenues are derived from interest income through direct leasing transactions, sale and leaseback transactions, factoring transactions, operating leases, trust loans, and consulting service income.

The process of managing investment portfolios has become standardised and consistent throughout the Group's management operations. The Group and each of its core operating subsidiaries has its own asset management committee. The asset management committee of each subsidiary formulates and reviews regularly the annual asset allocation plan, non-performing asset management system and rules for writing off non-performing assets. These policies are then communicated and discussed with the Group's management. This result is ultimately communicated with Ping An Insurance for final approval. The economic environment, market liquidity conditions, operating requirements, asset-liability management and cash flow controls are a few factors that are monitored by the asset management committees in setting the asset and risk management policies for each operating business. Centralised investment management by the Group and Ping An Insurance increases efficiency and consistency, while a consolidated and focused approach enhances cost controls and risk management in aligning strategic objectives.

Strong financial position with access to diverse sources

Through its strong relationship with Ping An Insurance and as a result of its prudent financial management approach, other than strong financial support by Ping An Insurance through capital injections as specified above, the Group also has access to a well diversified range of debt financing and refinancing channels which primarily include (a) borrowings from financial institutions including banks and non-banking financial institutions, both internationally and domestically, and (b) proceeds from bonds issuances, both onshore and offshore. The Group had established cooperative relationships with, and received loans and financings from, major PRC banks including, but not limited to, Ping An Bank, Industrial and Commercial Bank of China, China Construction Bank, Agricultural Bank of China, Bank of China, Postal Savings Bank of China, Bank of Communications, SPD Bank, China CITIC Bank and Bank of Shanghai, and other financial institutions. As at 31 December 2020, among the Group's total borrowings, bank borrowings, non-banking institutions borrowings and bonds issuances are in an amount of RMB77.2 billion, RMB30.0 billion and RMB76.1 billion, respectively, representing 45.1 per cent., 16.4 per cent. and 41.5 per cent. of the total borrowings, respectively. Meanwhile, as at 31 December 2020, the amount of unused line of credit granted to the Group by various commercial banks reached RMB80.2 billion. Through its offering of the various corporate bonds and a close relationship with these commercial banks, the Group were able to fully diversify its financing sources and obtain funding either through accessing the capital markets or loans from financial institutions. The Group believes its multiple financing channels will provide it with flexibility to fund its operations and enhance its liquidity position.

As at the date of this Offering Circular, the Group had been rated AAA by China Chengxin International Credit Rating Co., LTD and had successfully raised funds from the PRC onshore capital markets, which, among others, include the following credit bonds offered in the year of 2021 with size of at least RMB1.0 billion:

In May 2021, the Issuer successfully raised an aggregate RMB1.2 billion of bonds with a fixed interest rate of 5.1 per cent. per annum via its renewable public bonds offering;

In May 2021, the Issuer successfully raised an aggregate RMB1.0 billion of bonds with a fixed interest rate of 3.4 per cent. per annum via its short-term bond issuance;

In April 2021, the Issuer successfully raised an aggregate RMB1.5 billion with a fixed interest rate of 3.35 per cent. per annum via its super short-term bond issuance;

In April 2021, the Issuer successfully raised an aggregate RMB1.7 billion of bonds with a fixed interest rate of 5.2 per cent. per annum via its renewable public bonds offering;

In March 2021, the Issuer successfully raised an aggregate RMB2.8 billion with a fixed interest rate of 3.6 per cent. per annum via its super short-term bond issuance;

In March 2021, the Issuer successfully raised an aggregate RMB1.5 billion of bonds with a fixed interest rate of 3.93 per cent. per annum via its public short-term bonds offering; and

In February 2021, the Issuer successfully raised an aggregate RMB1.0 billion with a fixed interest rate of 4.0 per cent. per annum via its short-term bond issuance.

Depending on market conditions, financing costs and leveraging on Ping An Insurance's support, the Group is also able to secure favourable financing terms and maximise its funding efficiency as a result of the Group's strong relationship with, and credit lines available from, domestic and overseas financial institutions. The Group believes that its ability to obtain from such a wide variety of funding resources provides it with a competitive advantage over other competitors.

The Group is very mindful of its financial conditions and it proactively manages its debt exposure in order to maintain the strength of its balance sheet at an appropriate leverage level. As a result of its prudent financial management approach, the Group has historically enjoyed a well-balanced debt maturity profile and has achieved low gearing and a strong credit profile. The Group closely monitors its current and expected liquidity requirements and has entered into committed standby loan facilities to ensure that it has sufficient cash reserves and adequate committed facilities to satisfy its short-term and long-term liquidity requirements. As at 31 December 2018, 2019 and 2020, the Group had cash and bank balances of approximately RMB20.4 billion, RMB10.4 billion and RMB14.8 billion, and non-current assets maturing within one year of approximately RMB68.2 billion, RMB95.4 billion and RMB119.0 billion respectively, against total short-term borrowings of approximately RMB40.3 billion, RMB28.7 billion and RMB34.9 billion, as at the same dates respectively.

Centralised risk management system and sound corporate governance

In order to improve overall operational efficiency, the Group has adopted a centralised multi-tier management structure. The Group's management formulates overall strategy, establishes standard operating procedures, policies and operational targets, controls capital transfer, and is responsible for the standardisation in service offerings. The Group's regional offices oversee the daily management of assets by implementing the relevant system for its leased assets, collecting data on the status of leased assets, maintaining a complete leased asset ledger, establishing an asset evaluation system and evaluation database, and analysing and reporting on the leased asset structure on a periodic basis. In addition, risk management decisions by the Group are centrally reviewed by Ping An Insurance regularly. The Group adheres to strict risk and return procedures in analysing potential projects.

The Group believes that its centralised management system, with the assistance of Ping An Insurance, optimises the Group's capacities and resources, enhances its negotiating power with other parties and facilitates the sharing of resources and expertise among various projects. With the expanding scale and scope of the Group's business, the regional offices have been given a higher degree of autonomy and greater flexibility in order to enhance its day-to-day operating efficiency.

Experienced and professional management team with extensive industry knowledge

The Group's management team comprises of highly experienced professionals with diverse backgrounds in leasing, banking, investment banking, global capital markets and relevant industry experience. For details of the Group's management's experience and background, see "*Management of the Group*". This enables the Group to effectively identify and cultivate relationships with leading customers in its target industries. It also allows the Group to develop full-service leasing solutions tailored to meet the needs of its extensive network of sophisticated customers. There are overlapping senior executives between Ping An Insurance and the Group. The dual roles of senior management help to ensure close cooperation between Ping An Insurance and the Group to maximise synergy effects.

BUSINESS STRATEGIES

The Group was established as a key platform in implementing Ping An Insurance's comprehensive operating strategy and products offering and intends to continue the expansion of its presence in domestic and overseas markets while maintaining its core focus in the PRC. To accomplish this, the Group plans to employ the following strategies:

Strengthening of Ping An Insurance's leasing and asset management platform and promote closer integration between Ping An Insurance and the leasing business

The Group's strategic objective is to become a world-leading leasing and asset management company. As Ping An Insurance's key global platform for financial leasing, the Group will continue to leverage on its synergies with Ping An Insurance and its diverse network. In respect of the Group's core business streams, which include direct leasing, sale and leaseback transactions, the provision of factoring services, trust loans, operating leases, and advisory services, the Group intends to proactively seek opportunities in the PRC and overseas, with a goal to optimise and increase Ping An Insurance's asset portfolio.

The Group is differentiated by its ability to provide value-added services beyond traditional leasing. The Group aims to continue to fully leverage Ping An Insurance's large customer base, extensive distribution channels, strong brand recognition and integrated services platform to develop innovative new leasing products and services and secure additional high-quality customers. It will also coordinate with various Ping An Insurance branches to engage in marketing efforts targeted at customers in need of full-service solutions for their financing needs both domestically and internationally. In order to ensure continued financial and managerial support from Ping An Insurance, the Company aims to also focus on extending Ping An Insurance's portfolio of financial services and enhancing its overall service capabilities.

Improving asset management foundations and customer base to enhance leasing returns and reduce credit risks

Stable returns on its asset portfolio and prudent asset selection are essential components of the Group's financial strength. The Group will maintain its prudent asset selection and management philosophy while enhancing its decision-making mechanism and risk management systems. The Group's core subsidiaries have their own asset management committees and risk control committees and constant communication between the Group and its subsidiaries continues to be a top priority of its strategy. In pursuing its asset management and leasing strategy, the Group adheres to the following guidelines:

- investing in assets in accordance with both its own and Ping An Insurance's business needs;
- focusing on assets with a low depreciation rate and a long useful life period; and
- maintaining a geographically diversified portfolio of assets across a variety of industries.

The Group places great emphasis on customer selection and will continue to focus on customers in strategically capital-intensive industries and those involved in leading public and private-sector projects. The Group believes that doing so not only reduces the aggregate credit risk of its leasing activities, but also serves as an effective promotional tool for its services and strengthens the Group's positioning as a leader in the leasing industry.

The Group will continue to attract, motivate and cultivate talented employees to support its operations

The Group believes that proper talent management is the foundation for the Group's successful long-term development. The Group greatly values its employees and will continue to attract, cultivate and retain talent through its internal training programs. The Group recruits both domestic and international talent in order to create a well-rounded work-force with diverse backgrounds. The Ping An School of Financial Services provides training programs and essential learning tools for the Group's employees to cultivate top-tier management talent. In addition, the Group seeks to improve its incentive mechanisms to better align the interests of management, employees, and corporate philosophy. The Group believes that with a strong reputation for excellence and a talented management and employee workforce, it is well-positioned to grow its business operations over time.

Further improve risk management capabilities and actively optimise liability structure

In an effort to further enhance its existing risk management processes, and improve the overall risk management system, the Group aims to upgrade its risk management systems into a more comprehensive risk management architecture. The Group strives to adjust its current project risk assessment framework, which is based on a credit risk-centric approach, to a more comprehensive system encompassing both credit risk and asset investment risk. In addition, the Group aims to adopt a more systematic decision-making process promoting greater reviewer responsibility through professional consultation. Furthermore, the Group plans to adopt a more integrated and compatible risk management model which allows for information sharing and collaboration with Ping An Insurance's other entities under the guidance of the centralised risk management system.

The Group strives to actively manage its liability structure in order to obtain the most competitive cost of financing and optimal duration match between assets and liabilities. Traditionally, the domestic loan market has been the primary source of funding for Chinese leasing companies. Since its establishment, the Group has been expanding its funding sources. The Group has actively tapped into the domestic interbank lending market to access cost-effective funds, and has sought to issue offshore bonds with the support from Ping An Insurance. It also engages in lease receivable factoring and issuance of asset-back securities to better manage its liquidity condition. The Group intends to further optimise its diversified funding structure by fully leveraging its existing funding channels as well as exploring new sources of funding. The issue of the Bonds represents a further step toward improving the Group's overall funding mix, maximising financial flexibility and securing an optimal asset liability match.

The Group will continue to expand its investments in the PRC and strategically explore the international markets in order to capture market opportunities and expand its global presence

The Group has established its leasing business to strategically selected cities in the PRC such as Beijing, Shanghai, Tianjin and Shenzhen. As part of the Group's future expansion plan, the Group intends to strategically expand into the international market in order to capture market opportunities in key cities around the world. The Group strives to select assets and transactions located in mature markets, which is in line with the Group's strategy to prudently grow its presence in economically developed nations. In the future, the Group intends to continue the expansion of its presence in domestic and overseas markets while maintaining its core focus in the PRC. It plans to continue to explore other development opportunities that will enhance its return, diversify its asset portfolio, and increase its international presence. To reduce investment risks, the Group aims to develop its current and future international portfolios with an

emphasis on (i) maintaining a balanced cash flow for project investment and finance, (ii) entering into business partnerships with financial institutions and (iii) employing local expertise to support its development and knowledge of local market conditions.

BUSINESS STREAMS

The Group provide a wide range of leasing services to its clients mainly in the PRC, and the Group's principal business streams are its core leasing business, advisory business and operating lease business. The following table sets out a breakdown of the Group's revenue by business segment for the periods indicated:

	Year ended 31 December					
	2018		2019		2020	
	Amount (RMB in million)	%	Amount (RMB in million)	%	Amount (RMB in million)	%
Revenue						
Interest income on finance lease ⁽¹⁾	10,617.9	70.1	13,874.5	70.5	14,763.3	76.0
Interest income on trust loan ⁽¹⁾	685.7	4.5	862.1	4.4	951.9	4.9
Interest income on factoring ⁽¹⁾	919.1	6.1	1,281.3	6.5	1,238.5	6.4
Advisory business	1,823.4	12.0	2,771.1	14.1	1,875.7	9.7
Operating leasing business	703.1	4.6	397.1	2.0	31.3	0.2
Interest income on bank deposit	95.7	0.6	226.4	1.2	159.7	0.8
Others ⁽²⁾	303.3	2.1	255.6	1.3	402.9	2.0
Total	<u>15,148.2</u>	<u>100.0</u>	<u>19,668.1</u>	<u>100.0</u>	<u>19,423.4</u>	<u>100.0</u>

(1) These constitute the core leasing business of the Group. See below for further details of the Group's core leasing business.

(2) Others includes revenues generated from the Group's business related to connected parties financings, sales of equipment, video related business and others, none of which accounted for more than 2.0% of the total revenue of the Group for any of the years ended 31 December 2018, 2019 and 2020, respectively.

Core leasing business

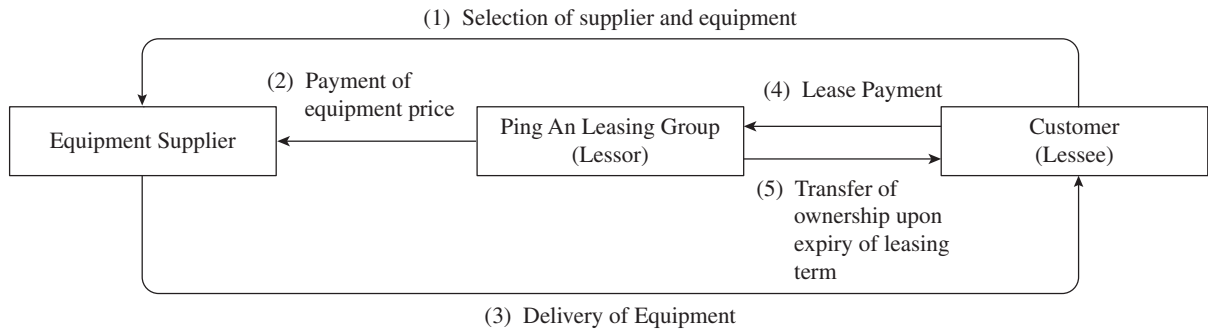
As a key platform in implementing Ping An Insurance's comprehensive financial products offering, the Group has a strong presence in leasing business in various segment, in respect of finance leasing, factoring services and trust loans to its customers. See above for a detailed breakdown of the Group's revenue derived from such core leasing business in the corresponding periods.

Finance lease

Financial leasing is the principal business activity of the Group. The Group derived its revenue primarily from financial leasing. For the years ended 31 December 2018, 2019 and 2020, the Group's interest income generate from its finance lease business was approximately RMB10.6 billion, RMB13.9 billion and RMB14.8 billion, respectively, representing approximately 70.1%, 70.5% and 76.0% of the total revenue generated in the same periods by the Group, respectively. While the Group has the capability to offer various kinds of financial leasing services, since its business inception, the Group derived primarily all of its finance lease business from either direct lease or sale-and-leaseback transactions.

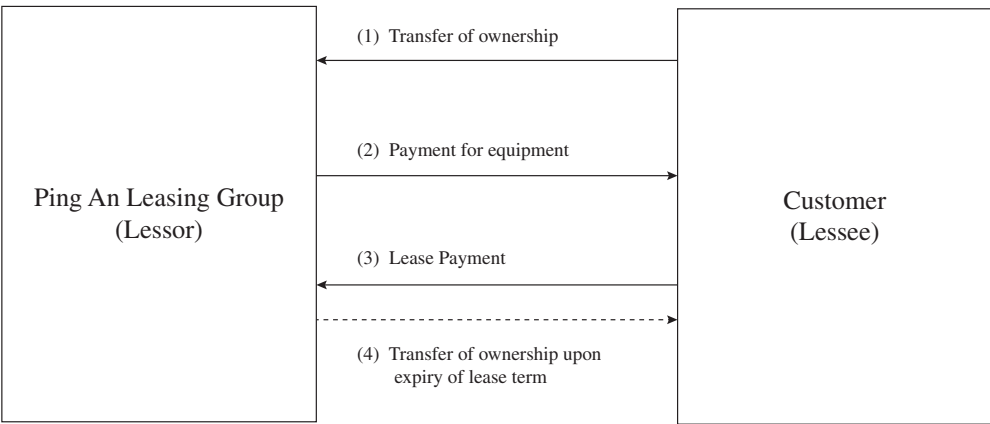
Lease model – Direct lease

In a direct lease, the Group as lessor purchases an asset from an equipment supplier and then leases it to a customer (lessee) for use in return for periodic lease payments. A typical direct leasing transaction is a tri-party arrangement that involves a lessor, a lessee and an equipment supplier. The following diagrams illustrate the relationship among the three parties:



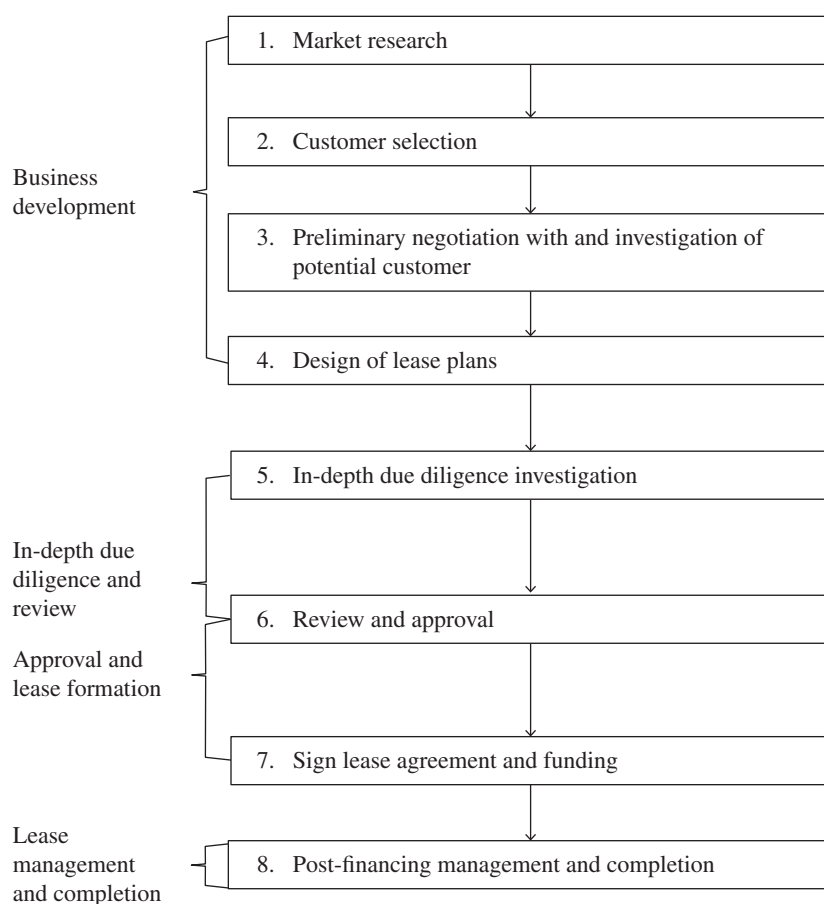
Lease model – Sale and leaseback

Sale-and-leaseback is primarily used by enterprises that need working capital for their operations. A typical sale-and-leaseback transaction is a two-party transaction involving a lessor (the Group) and a lessee (the customer). In a sale and leaseback transaction, a customer sells the relevant asset which it already bought to the Group for a negotiated purchase price, and the Group then leases the asset back to the customer in return for periodic lease payments, so that the customer covers its funding needs and continue to use the asset as a lessee. A typical sale and leaseback transaction involves a lessor and a lessee. The following diagram illustrates the relationship between the two parties:



Business development

The Group has established a standardised and systematic business process for its core leasing business, with flexibility built in the negotiation stage, design of lease plans and contractual terms offering to customers to accommodate the different needs of and offer tailor-made financial services to its diverse customer base. It normally takes four steps, depending on the nature and scale of the project, from initial contact with the customer to signing of the agreement. The following chart illustrates the key steps of this process:



This process, featuring comprehensive selection criteria and an innovative business verification process, can be divided into four major phases, namely business development, in-depth due diligence and review, approval and lease formation, and lease management and completion. In the phase of business development, the Group conducts market research for potential projects and customer selection with respect to the industries. The Group will engage in further discussions with the potential customer to understand their specific financial needs and the proposed form of financing after the customer is preliminarily selected. Once the discussion is completed and a cooperation is formed, the Group will perform in-depth due diligence, including on-site visit and face-to-face interviews with the proposed customer. After the internal approval based upon the in-depth due diligence, the lease agreement proceeds to the signing stage with the assistance of the legal department and the funding shall be released to the customers after the satisfaction of all conditions precedent in the signed agreements. After the financing according to the relevant agreements, the Group manages the financial lease and closely monitors the lease payments made to it to ensure they are made on time throughout the whole lease term.

Credit risk is the primary type of risk the Group faces in its financial leasing business. The Group maintains a set of rules and procedures to manage credit risks arising in its sale-financial leasing business and implement these rules and procedures throughout its operational process. Please see the section headed “– Risk management” in this Offering Circular for further details.

Customers

The Group has a diverse customer base that includes state-owned and central enterprises, public listed companies, and private enterprises which are the market leaders in their respective industries and have superior records of financing repayment. The following table sets out the details of the Group’s five largest customers for its finance leasing business as at 31 December 2020:

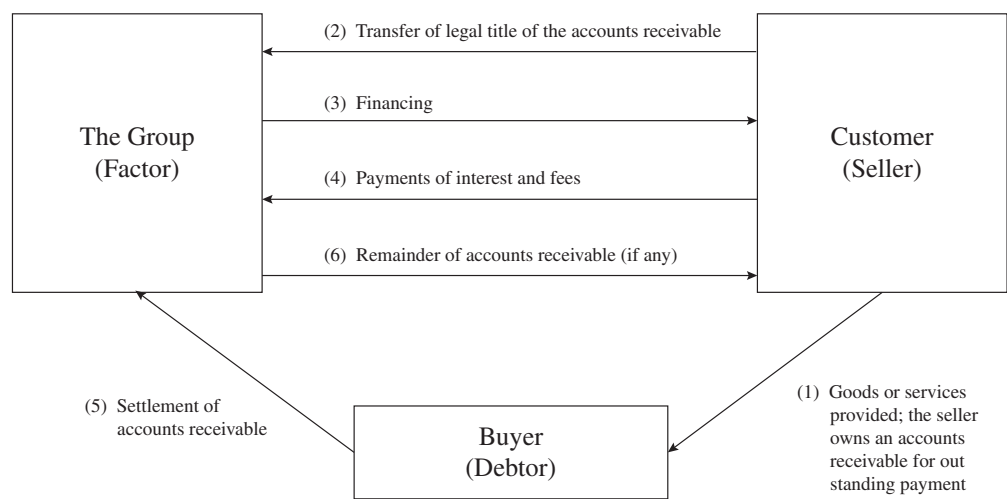
	Amount	Percent of total financial lease assets value	Contract terms	Annual interest rate	Independent third party
	<i>(RMB in billion)</i>	<i>(%)</i>	<i>(year)</i>		
Customers					
Qingdao Subway Group Co., Ltd. (青島地鐵集團 有限公司)	1.0	0.44	2	4%-5%	Y
Lhasa Construction Investment Management Co., Ltd. (拉薩市城市建 設投資經營有限公司) . .	0.7	0.32	5	8%-9%	Y
Chengdu Wuhou Industry Investment & Development Group Co., Ltd. (成都武侯產業 發展投資管理集團有限 公司)	0.6	0.25	5	6%-7%	Y
Huai'an State Joint Investment Development Group Co., Ltd. (淮安市 國有聯合投資發展集團 有限公司)	0.5	0.23	4	5%-6%	Y
Taiyuan Longcheng Development Investment Co., Ltd. (太原市龍城發 展投資集團有限公司) . .	0.5	0.22	8	3%-4%	Y
Total	<u>3.3</u>	<u>1.47</u>			

Factoring

In a factoring transaction, the Group provides financing and accounts receivable management services to customers (as sellers) in return for (i) interest and fee income, and (ii) transfer of legal title of accounts receivable from customers to the Group. After the transfer of the accounts receivable, the Group owns the right to receive the outstanding amount of the accounts receivables from the buyer.

When the buyer (i.e. debtor of the accounts receivable) settles the accounts receivable, such sums are first applied to the settlement of the financing and the services provided to customers under the factoring transaction between customers and the Group, and any remainder is then paid to customers.

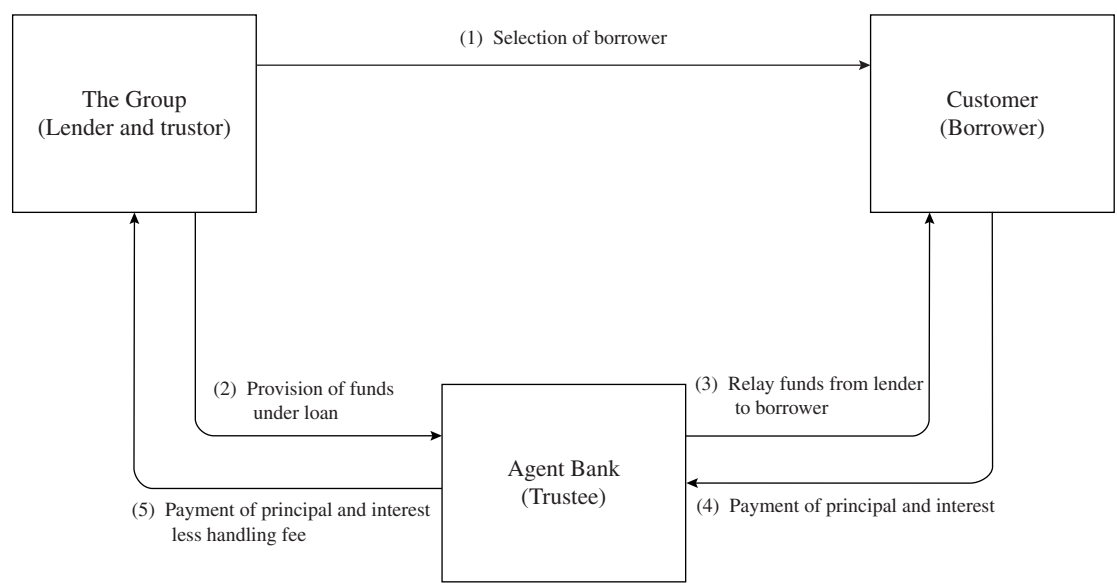
A typical factoring transaction involves three parties, namely the factor (the Group), the seller (the Group’s customer) and the buyer. The following diagram illustrates the relationship among the three parties:



Trust loan

In a trust loan transaction, the Group, as lender, provides funds to a customer, as a borrower, under a loan organised by an agent bank. Under a trust loan, the agent bank is the trustee, and the Group is the trustor. The agent bank is responsible for preliminary selection of borrowers based on the Group’s preferences as to a borrower’s credit profile, proposed use of loan proceeds, loan amount, term of loan, and interest rate. The agent bank, as trustee, is responsible for the collection of principal and any interest, for which it charges a handling fee.

A typical trust loan transaction involves three parties, namely the lender (the Group), the borrower (the Group’s customer) and the agent bank. The following diagram illustrates the relationship among the three parties:

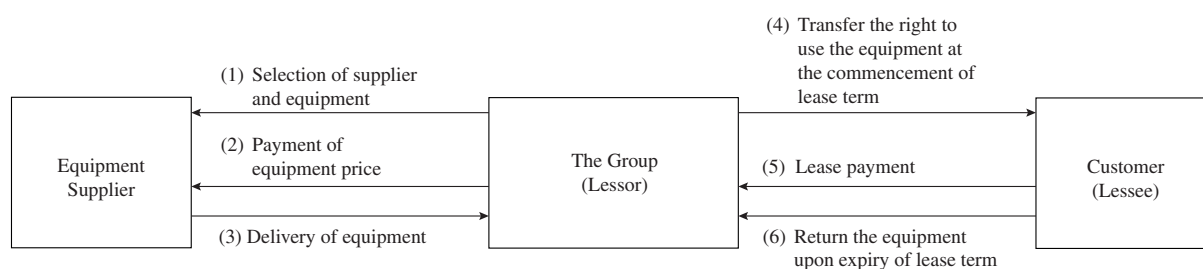


Advisory Business

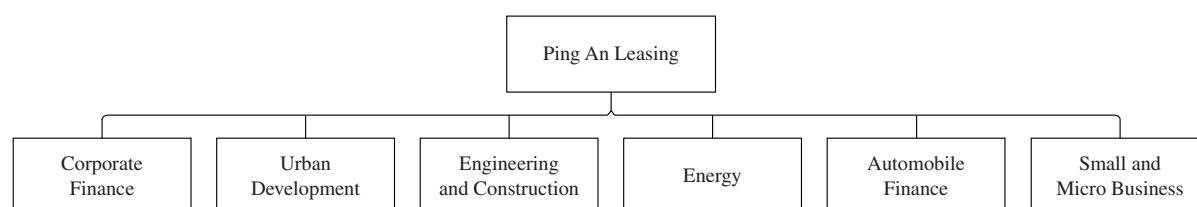
In addition to its core leasing business, the Group engages in the provision of advisory services to generate a further income stream. As a value-added service to customers, relevant advisory services are provided only where a customer engages the Group for its core leasing business. The scope of the Group's advisory services include formulating tailored leasing solutions as well as providing professional and technical advice to customers. Payments for the Group's advisory services are typically stipulated in the corresponding lease agreements, and are calculated as a specific percentage with reference to total fee under the relevant lease agreement. Fees under advisory services varies depending on the needs of each and every customer, but generally range from 0% to 10% of the total fee under the corresponding lease agreement. Whereas payments under the Group's core leasing business are made in instalments, fees under advisory services are prepaid in lump sum upon the commencement of the corresponding lease period.

Operating Lease Business

Leases are classified as operating leases if substantially all the risks and rewards of ownership remain with the Group. This contrasts with finance leases where the terms of the lease transfer substantially all the risks and rewards of the ownership to the customer. Under an operating lease, the customer (the lessee) is responsible for the maintenance and servicing of the leased asset during the term and the Group (the lessor) receives the benefit, and assumes the risk, or the residual value of the leased asset at the end of the lease. A typical operating lease transaction is a tri-party arrangement that involves a lessor, a lessee and an equipment supplier. The following diagrams illustrate the relationship among the three parties:



STRATEGICALLY TARGETED INDUSTRIES



As the key finance leasing platform of Ping An Insurance, the Group's businesses focus on offering leasing services to a variety of companies in different industries. To accommodate for the demands of customers in a wide range of industries, the Group has established a number of departments and hired talents with various professional backgrounds to ensure that the Group possesses the required industry-specific expertise for each of its strategically targeted industries for financial products offerings. Among others, the industries the Group's finance lease business engaged in, which generated approximately 10.0 per cent. or more of the total amount of the interest-bearing assets and revenue from the Group's core lease businesses, respectively, as at 31 December 2020, were corporate finance, urban development, engineering and construction, energy and automobile finance. Meanwhile, to innovate and adjust its business model to the new directions of the market and the favorable public policies adopted by the authorities, the Group also strives to extend its leasing presence by offering its services to small and micro businesses nationwide.

Corporate Finance

The corporate finance department of the Group focuses on customers engaging in industries relating to national economy which include transportation and infrastructure industry players, A-share listed companies, industry leaders, to provide them with all-round financial leasing services through a diversified product system for the purposes of developing new industry sectors and business models, procuring equipment, constructing foundational infrastructure, upgrading production structures and upgrading supply chains, etc. Leveraging on the characteristics of financial leasing, utilizing its comparative advantages in diversified markets and with support of resources provided by Ping An Insurance, the Group has the capabilities to adopt innovative business models and provide customers with diversified financial products and services.

Urban Development

The urban development department of the Group provides financial leasing services to leading enterprises with monopolistic position in the procurement and operation of public utility sector in tiers 3 and 4 prefecture-level cities and ministries, through which the Group broadens its clientele and enhances its market share. When selecting customers, the Group considers factors including the administrative division of the cities where the customers located, size of population, financial strength of local government, actual purchasing power of local residents, characteristics of local economy, revenue of the customers and existing equipment inventory.

Engineering and Construction

The engineering and construction department of the Group mainly provides equipment financing for companies engaging in transportation construction, industrial construction and urban development (including municipal construction and housing construction) as well as their upstream and downstream. When selecting customers, the Group adopts a customer selection mechanism based on factors including the customers' production value and construction qualifications, and determines risk pricing in relation to financial leasing payments on the basis of the customers' industries, shareholding structures, corporate governance, upstream and downstream relationships, finance and historical projects.

Energy

The energy department of the Group provides state-owned enterprises, listed companies and industry leaders with financial leasing services in respect of electronic equipment, coal machinery, metallurgical institutions and photovoltaic systems. When selecting customers, the Group focuses on factors including industry characteristics, regional characteristics, equity structure, corporate governance, production capacity, supply of raw materials, sales capability, financing capacity, performance of debt obligations, investment plans, strength of guarantors, revenue of lessees and existing equipment inventory. The Group usually cooperates and negotiates with major local financial institutions and equipment manufacturers with monopolistic position, through which the Group broadens its clientele and enhances its market share.

Automobile Finance

The Group's financial leasing business related to automobile finance service plays an indispensable role in Ping An Group's entire auto ecosystem including but not limited to auto sales, used auto tradings, auto maintenance, auto insurance and auto financing. With the technological, financial and business support of Ping An Group and its own active business development in the auto industry, the Group's automobile finance service has achieved significant progress. It built cooperative relationship with various world renowned automobile brands such as Chevrolet, Ford, Audi, Buick and Skoda and achieved edges over its competitors by flexible financial products offerings for auto customers with low total cost, low down payment and low monthly installment. With the big data of any potential customers provided to the Group by Ping An Group, credit record of PBOC or any other third parties' database, the Group, with its cutting-edge data analysis technology in place, is able to significantly improve its risk management efficiency so as to shorten the time required for pre-approval or even realize automatic approval for certain customers. With its prudent risk management and innovative business model already in place, the Group managed to have the credit approval within an hour, funding out within 24 hours from sign-on, access to PBOC credit and efficient after-sales monitoring including GPS tracking. Through its key subsidiaries, the Group has managed to established 26 branch offices in various first-tier and second-tier cities in China in order to offer superior customer services experiences, with 23 more branch offices under establishment as at the date of this Offering Circular.

The automobile financing business of the Group is primarily carried out by the automobile financing department which can be further divided into two sub-units, namely the automobile financing unit and the commercial vehicle unit. The automobile financing unit and commercial vehicle unit are responsible for providing financial leasing services in relation to passenger vehicle segment and commercial vehicle segment respectively. In respect of passenger vehicle segment, the Group aims to provide services covering wholesale customers including dealer group or some smaller enterprises, retail customers including new auto sales through third parties or online distribution network or used auto assessment and sales and operating leasing customers with the ability to provide one-stop service including procurement and financing. In respect of commercial vehicle segment, it includes commercial vehicle retail customers for truck drivers and small or medium fleets by first level, third party and transport companies distribution network and wholesale logistics customers for medium and large logistics companies in industries generally related to general cargo, hazardous chemicals, car transport or express delivery. The automobile financing department focuses on both individual and corporate customers' end-use consumption and demand in respect of passenger vehicles and commercial vehicles, aiming to provide customers with one-stop consumer experience for the entire cycle from car sales to after-sales services.

As at 31 December 2020, the total asset scale of the Group related to automobile finance service reached RMB50.0 billion; As at the date of this Offering Circular, the Group's automobile finance service achieved the record high monthly rental orders of more than 35,000 orders and monthly assessment for used cars of more than 40,000 vehicles, respectively. Meanwhile, as of the date of this Offering Circular, the Group had a coverage of more than 30,000 mainstream vehicle factories, ranked first in the market shares of auto financial leasing by third party distribution network and had a record of used auto assessment of more than 578,000 vehicles. With such robust business growth, market leader position and superior customer base, the Group is able to achieve significant bargaining power in its vehicles, insurances and services procurement, install professional risk control system in its auto finance business including access to PBOC credit, vehicle pledged and anti-fraud engine, and provide sound after-sale services including maintenance and replacement, refinancing, and GPS & OBD data. In recognition of its achievements, the Group has received numerous awards in the automobile finance service segment, which include the following:

- | | |
|---|---|
| <ul style="list-style-type: none"> • 21st Century Business Model Award
The 13th 21st Century Business Model Conference and Expo | <ul style="list-style-type: none"> • 2020 CADCC Special Contribution Award
China Auto Dealers Chamber of Commerce Conference and Expo |
| <ul style="list-style-type: none"> • 2019 China Auto Dealer Industry Financial Service Innovation Award
The 11th China Automobile Dealers Association Industry Annual Conference and Expo | <ul style="list-style-type: none"> • 2019 Most Influential Auto Finance Company
China Automotive Aftermarket Finance Innovation Congress |
| <ul style="list-style-type: none"> • 2019 Post Leadership Auto Finance Enterprise Award
The 4th China Auto Finance International Summit | <ul style="list-style-type: none"> • 2019 Auto Finance Securitization Excellent Product Award
Cai Shi China |
| <ul style="list-style-type: none"> • 2019 Best Auto Fintech Innovation Award
China Automotive Aftermarket Finance Innovation Congress | <ul style="list-style-type: none"> • 2019 Outstanding Contribution Award in Used Car Dealer Industry
5th China Used Car Industry Development Forum |
| <ul style="list-style-type: none"> • 2019 China Auto Dealer Industry Well-known Brand Enterprise Award
The 11th China Automobile Dealers Association Industry Annual Conference and Expo | <ul style="list-style-type: none"> • 2019 Excellent Financial Technology and Innovation Case Study
National Financial Science and Technology Summit |
| <ul style="list-style-type: none"> • 2019 China Auto Dealer Industry Social Responsibility Role Model
The 11th China Automobile Dealers Association and Industry Annual Conference and Expo | <ul style="list-style-type: none"> • 2018 Outstanding Finance Leasing Brand of the Year
The 11th China Leasing Summit |

Small and Micro Business Finance

To innovate and adjust its business model to the new directions of the market and the public policies adopted by the authorities in favor of small and micro business, the Group strived to extend its leasing presence by offering its services to various small and micro businesses nationwide. The Group's small and micro finance business primarily targeted at private small and medium enterprises engaged in the business of machinery and equipment manufacturing, metal parts processing, textile processing, leather processing and printing in order to meet these businesses' financial leasing needs in various amounts ranging from RMB300,000 up to RMB5.0 million under flexible financing terms. The typical equipment types include stamping press, machine press, laser cutter, plate shears, bending machine, turret punch, die cast, injection moulding, PCB Drill, surface mount system, gripper loom, lathe, tool grinder, computer numerical control, electrical discharge machine and automation machine.

To streamline its services process and improve its risk management efficiency for financing small and micro businesses and assist such businesses in utilising its financial services more efficiently, the Group has built a series of online platforms for mobile devices for its management of suppliers, customers, employees and credit risks in relation to small and medium business finance, respectively:

- ***Mini Equip for Suppliers***

Mini Equip is a platform designed for vendor suppliers. More than 2000 suppliers have registered as at the date of this Offering Circular in view of the platforms advantages including “zero cost, low barriers to entry, easy management and wide coverage”. Mini Equip is embedded with smart tools to help with onboarding new customers and to enhance business penetration rate. Meanwhile, contract management and e-signing functions also enhanced the whole operating efficiency significantly.

- ***Micro Leasing for Customers***

Ping An Micro Leasing is a 24-hour online service center built for customers, which provides not only fast and efficient application channel but payment and invoice solutions for small and micro business owners. Customers are able to conduct account management through their smartphone anytime and anywhere. Furthermore, the innovated function “Equipment Zone” in Micro Leasing provides one stop service and is tailored for small and micro business owners.

- ***SMF Office for Employees***

Employees may use SMF Office to efficiently start real-time business management by their smartphone anytime and anywhere. Main functions of SMF Office include franchise management, customer management, project management, announcement management and process management to cover full scopes of business operations to realize whole process digitalization.

- ***Equip Band for Risk Management***

Equip Band is an IOT-based intermediary system to facilitate 100 per cent. online operations and smart management of vehicles and logistics and reduce monitoring costs; it masters equipment operation data in time and combines big-data computing system to conduct multi-dimensional analysis to build an ecosystem for small micro devices and provide reliable supporting evidences for business to make management decisions.

The Equip Band makes it possible for the applications of hand band to achieve real-time monitoring of the equipment operation. During the Covid-19 pandemic, Ping An Leasing published “An Index” based on data read from Equip Band, which covers 28 provinces, 168 metro cities and up to 3,200 micro businesses to calculate and simulate the work resumption rate, which provides significant references to companies and financial institutions on understanding utilization rate. As at 31 December 2020, more than 15,000 sets of equipment bracelets have been installed, and it is planned to add 20,000 sets in the year of 2021.

As at 31 December 2020, with such a fast growth rate, the total asset scale of the Group related to small and micro business finance service reached RMB 40.0 billion; as at the date of this Offering Circular, the Group has cooperated with more than 15,000 equipment suppliers to provide a wide range of coverage of more than 35,000 small and micro businesses with a well-managed non-performing ratio of only approximately 1.0%. Because of these achievements, the Group stands itself out against its peers in the small and micro business finance segment and has received various awards in such segment, which include the following:

- 2017 Shanghai Financial Innovation Award – third Prize
- 21st Century China Best Financial Service Innovation Award
- 2020 Excellent Inclusive Financial Innovation Service Platform

RISK MANAGEMENT

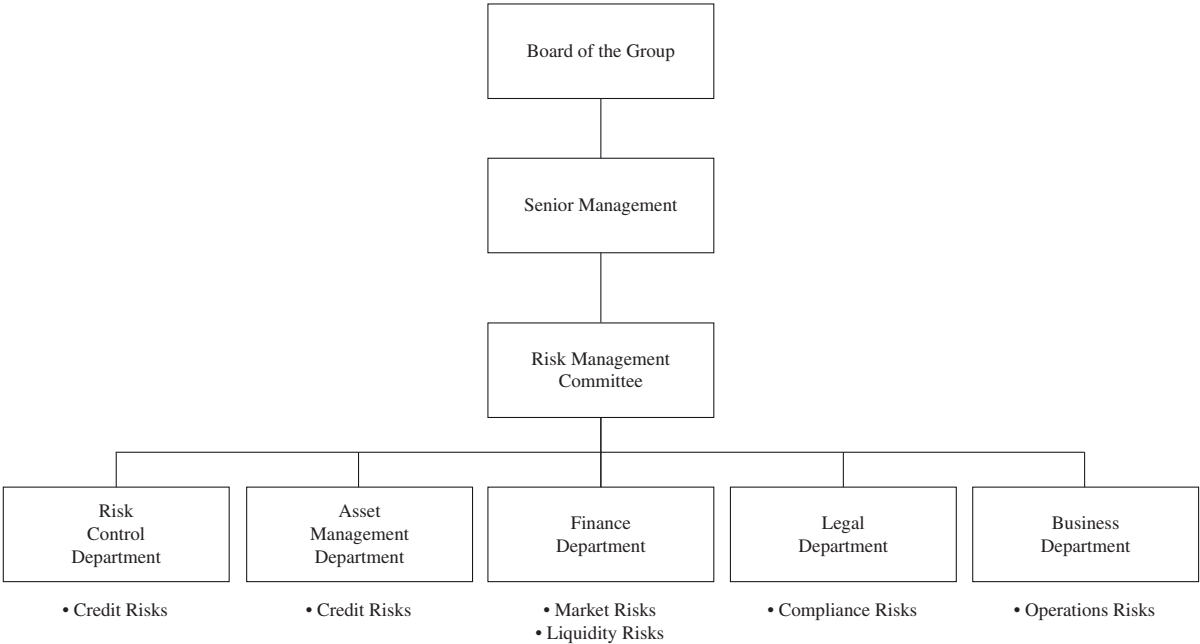
As a corporate group focusing on financial leasing business, the Group is exposed to various risks in its business operations, mainly including credit risk, liquidity risk, market risk, operational risk, insurance risk and legal and compliance risk. Credit risk is the primary type of risk faced by the Group.

The Group recognises the importance of a comprehensive risk management framework with leading risk management methodologies for identifying, managing and mitigating these risks and its senior management has put a significant emphasis on conservative risk management. It aims to promote a risk management philosophy. It maintains a risk management system tailored to the characteristics of its businesses, with a focus on managing the risks through customer due diligence, independent information review, and multi-level approval process. The Group strives to continuously monitor, review, and improve its risk management system to adapt to the changes in market conditions, regulations, and its product offering. The goal of its risk management efforts is to maintain risks at a desired level and to maximise its risk-adjusted return.

In order to maintain a high risk management standard, the Group has adopted a five-category asset classification system comparable to the one under the Guidelines on Risk-Based Loan Classification for banks issued by the CBRC. It also strives to maintain a diversified portfolio with a primary focus on certain strategically targeted downstream industries, including equipment manufacturing, traditional energy, urban development and construction engineering. See “– *Strategically Targeted Industries*” for further details of the strategical industries. In addition, it plans to further expand into other new sectors. The Group believes that such measures enhance its risk management capability such that its overall portfolio risk would be less subject to the cyclical of a single industry. Furthermore, the Group strives to maintain a customer portfolio with a good repayment track record, only including companies that are main players in their respective industries. The Group maintained satisfactory asset quality during the years ended 31 December 2018, 2019 and 2020, it incurred non-performing assets accounting for approximately 1.2% of the total interest-bearing assets generated from its core leasing business as at 31 December 2020. For details of the quality and classification of the Group’s assets, please see “– *Asset portfolio management – Asset quality and classification*” below for further details.

Risk Management Structure

The Group has a risk management structure commensurate with its business operations. Its risk management structure is as follows:



Credit Risk Management

Credit risk arises when the Group's customers or counterparties fail to perform their contractual obligations, or changes in their creditworthiness. Credit risk is inherent to the Group's businesses and could cause economic loss or deviation in the actual revenue and estimated revenue of it.

Credit risk is the primary risk that the Group faces in its business operations. the Group has in place a set of credit risk management rules and procedures that are applied to its financing projects. Its project management process focuses on evaluating a lessee's ability and willingness to perform its financial obligations. This process primarily involves reviewing essential aspects of its lessees, namely industry development, capital strength, market competitiveness, business operations and prospects, financial condition, lease assets quality and use of proceeds, with an aim to obtain an overview on its lessees' creditworthiness. The five-category asset classification systems enable the Group to maintain a high risk management standard on monitoring its financial leases and factored receivables. For details on the asset classification system, please see the paragraph headed “– *Asset Portfolio Management – Asset classification*” in this section of this Offering Circular.

Unless otherwise indicated, the risk management measures associated with financial leasing business as described below are also applied to the Group's other core leasing business such as factoring business. The Group strives to continually adjust and improve such rules and procedures in accordance with its business strategies and in response to changes to the macro-economy as well as the political and regulatory environment.

Business development. In the phase of business development, the Group conducts market research for potential projects and customer selection with respect to the industries. The Group approaches its target customers for business development purposes. Once a cooperation intent is formed, the Group will engage in further discussions with the potential customer to understand their specific financial needs and the proposed form of financing. The Group will then conduct a preliminary investigation on the potential customer and carry out an on-site visit and regular inspection and assessment in assistance with such business development.

In-depth due diligence and review. Once the project passes preliminary review, the Group will perform in-depth due diligence, so as to produce a “due diligence report”, for in-depth review purposes. Throughout the due diligence investigation process, the Group conducts on-site visit and face-to-face interviews with the management team of the proposed customer. The project, together with the due diligence report, is evaluated and voted internally according to the Group's risk management.

Approval and lease formation. After the final approval, the lease agreement proceeds to the signing stage with the assistance of the legal department of the Group. After the signing of the lease agreement, the Group will evaluate whether the lessee has fulfilled all conditions precedent. The funds will only be disbursed to the lessee when the disbursement has been approved.

Lease management and completion. The Group manages the financial lease throughout the whole lease term with its in-house assets management team. For lease management, the Group supervises the lessees' financial condition and performance, lease payment, and value of the leased assets. It closely monitors the lease payments made to it to ensure they are made on time and conducts analyses to consider whether any finance leases receivables are at risk. It will take further steps to recover overdue lease payments, if any. To safeguard its interests, the project manager conducts regular inspections on customers and leased assets on-site. At the end of the lease, the Group will ensure all monies under the lease have been fully repaid.

Asset Portfolio Management

The Group manages its leased assets portfolio primarily through asset classification and provision for impairment loss management.

Asset quality and classification

The Group adopts a five-category asset classification system comparable to the one under the Guidelines on Risk-based Loan Classification for banks issued by the CBRC. The Group ranks its interest-earning assets, including financial leases, trust loans, and factored receivables into five categories, namely “normal,” “special mention,” “substandard,” “doubtful,” and “loss,” based on their risk levels, and identify assets in the last three categories as non-performing assets.

To keep the risk classification updated, the Group classifies its assets quarterly or more frequently depending on circumstances. When classifying its assets, the Group considers factors including, (i) each lessee’s ability and willingness to repay; (ii) the operating and financial conditions and cash flows of the lessee; (iii) material changes, if any, in the condition of the lessee’s major shareholder, affiliated enterprises, parent company or subsidiaries; and (iv) the conditions of the leased asset.

The following are the bases of classification for each of the five categories:

- **Normal.** No overdue payment is recorded. The lessee can honour the terms of the contract and is able to repay the principal and interest in full on a timely basis.
- **Special mention.** Overdue payment within three months or an adverse change in the business operation of the lessee has been recorded. The lessee currently has the ability to repay the principal and interest, but the repayment of principal and interest receivables could be adversely affected by specific factors.
- **Substandard.** Overdue payment over three months but within six months has been recorded. The lessee’s ability to repay the principal and interest is in question as it cannot rely entirely on normal operating revenues to repay the principal and interest in full, and losses may ensue even when collaterals or guarantees are invoked.
- **Doubtful.** Overdue payment over six months but within 12 months has been recorded. The lessee is unable to repay the principal and interest in full and losses will need to be recognised even when collateral or guarantees is invoked; and
- **Loss.** Overdue payment has been recorded over 12 months. A minimal portion or no principal of, or interest on, the lease could be recovered after all possible measures have been taken and all legal remedies have been exhausted.

Based upon the five-category asset classification system specified above, the following table sets out a breakdown of the Group’s interest-bearing assets generated from its core leasing businesses by their risk classification for the periods indicated:

	As at 31 December					
	2018		2019		2020	
	Amount		Amount		Amount	
	(RMB in million)	%	(RMB in million)	%	(RMB in million)	%
Normal.	189,386.6	96.23	204,837.5	95.36	235,638.6	93.84
Special attention	5,667.6	2.88	7,608.7	3.54	12,358.0	4.92
Substandard ⁽¹⁾	637.9	0.32	852.9	0.40	1,254.2	0.50
Doubtful ⁽¹⁾	679.0	0.35	943.2	0.44	504.3	0.20
Loss ⁽¹⁾	426.2	0.22	566.8	0.26	1,363.7	0.54
Total	196,797.3	100.00	214,809.1	100.00	251,118.8	100.00

Note:

(1) Assets categorised as either “substandard,” “doubtful,” or “loss” shall be identified as non-performing assets.

Provision for impairment loss management

The Group makes provisions for its assets to recover impairment losses. The finance department is responsible for provision management.

The Group makes provision for impairment loss in accordance with its internal provisioning policies. In determining the impairment loss for its receivables, the Group considers objective evidence of impairment including: (i) breach of contract, such as default or late payment of interest or the principal; and/or (ii) foreseeable bankruptcy or debt restructuring. The amount for provision of loss in lease receivables is determined by the following factors: (i) past loss experience; (ii) the level of the individual impairment provision and the total amount of finance leases receivables; and (iii) the management's judgment based on the level of actual loss from the current economic and credit conditions and past experience. The Group maintained satisfactory provision coverage ratio for its non-performing assets. As at 31 December 2018, 2019 and 2020, the provision coverage ratio for its non-performing assets maintained by the Group is 190.6%, 174.2% and 196.0%, respectively.

Liquidity Risk Management

Liquidity risk refers to the risk that The Group is unable to obtain sufficient funds in a timely manner and at reasonable costs to pay due debts, perform other payment obligations or satisfy capital needs arising in its ordinary course of business. It strives to obtain liquidity at reasonable costs and in a timely manner by identifying, measuring, monitoring, assessing and controlling liquidity risk and properly managing and matching its assets and liabilities.

The Group has established a specific liquidity risk management policy for sound short-term, medium-term and long-term liquidity management which sets out the objectives, principles, division of responsibilities and specific measures for liquidity risk management. It assesses liquidity risk appetite, liquidity risk management strategies, policies and procedures and revise them if necessary, taking into account factors such as business development and market changes. The Group's liquidity risk management framework includes risk control indicator management, liquidity forecast, daily risk management, stress testing, real-time monitoring, and contingency plans.

Market Risk Management

Market risk refers to the risk of losses to the Group resulting from an adverse movement of market prices. The market risk to which the Group is exposed mainly include interest rate risk and exchange rate risk.

Interest Rate Risk management

Interest rate risk refers to the risk of adverse effects on the Group's overall income and economic value resulting from adverse movements in interest rates. With its interest rate policies, it strives to keep its interest rate risk at a minimal level. Most of the business contracts with its customers and loan agreements with lending banks are denominated in RMB and bear floating rates using the PBOC benchmark interest rate as reference. Therefore, the assets under the lease agreements and liabilities under the loan agreements fluctuate with the changes in the PBOC benchmark interest rate. As a result, without considering the difference between assets and liabilities in adjustment frequency of interest rates, such assets and liabilities achieve a natural hedge.

Exchange Rate Risk Management

Exchange rate risk refers to the risk of the Group's loss of capital arising from adverse changes of exchange rate. Exchange rate risk to the Group is minimal since all of its transactions are carried out in RMB. However, it will consider hedging significant foreign currency exposures should the need arises.

Insurance Risk Management

The Group has developed insurance risk policies for businesses, including leasing and entrusted loans, which contain leased goods or collaterals. Relevant policies have been made in respect of the insurance type, the monetary amount, the time, the insured, the beneficiaries of the property insurance for the actual leased property during the term of lease, which include:

- the insured amount should not be lower than the cost of leasing;
- the insured should be the lessee;
- the beneficiary should be the Group; and
- the insurance period should cover the term of lease.

Legal Compliance Risk Management

Legal risk mainly refers to the risk of legal liabilities arising from violation of laws and regulations, breach of contracts, infringement of others' legal rights, or contracts or business activities the Group is involved in. Compliance risk refers to the risk that the Group may be subject to possible legal sanctions, regulatory penalties, significant financial losses and reputational losses due to failure to comply with laws, regulations and guidelines.

The legal department of the Group is primarily responsible for managing legal and compliance risk. It is mainly responsible for refining the Group's contract documents, and providing legal and compliance support for business operations. In addition, the Group has formulated a series of policies and procedures for its business operation, on-site signing of contracts and confirmation of leased asset title, in order to effectively protect its interests and minimise its legal risk. As at the date of this offering circular, the Group has not been challenged for any material regulatory non-compliance incidents by the government authorities.

Operational Risk Management

Operational risk refers to the risk of losses associated with deficiencies in internal processes, human errors and IT system failures, or impact from external sources. The Group's measures to manage or mitigate its operational risk include, but are not limited to, establishing policies and manuals, business continuity management and insurance. The Group has adopted the following measures to monitor its operational risks and to strengthen its operational risk management:

- maintaining a corporate governance structure with clearly defined duties of the Group's management, and various committees and departments;
- maintaining a risk management system to ensure the independence of different departments and committees in performing their risk management duties;
- formulating and adopting standard commercial contracts for its business operations;
- maintaining and continuously improving its operational procedures and internal control system;
- providing training to keep employees updated with industry developments and maintain their professional standard;
- offering competitive remuneration package and opportunities for advancement to attract and retain talented employees;

- maintaining a documents management system to ensure that the original and electronic copies of all business documents are properly archived; and
- engaging a computer technology support professional to maintain and periodically upgrade the Group's IT system.

The Group has implemented a variety of measures to strengthen its operational risk management according to recommendations of its internal control consultant.

SALES AND MARKETING

The Group conducts sales and marketing principally through directly contacting existing and potential customers in its strategically targeted industries. Leveraging its expertise and understanding of the financial needs of various industry players, it approaches companies in such sectors to discuss ways in which it may be able to assist them.

Specifically, The Group focuses on targeted industries, such as urban development, construction engineering and energy, and strives to spread its connection to various other market players once they have formed a strong relationship with the initial customer in such industry. See “– *Strategically Targeted Industries*” for details. The Group penetrates the targeted industries through developing specific in-depth industry knowledge and expertise, so that it can distinguish itself in the service and financial leasing programmes that it can offer to customers in the targeted industry. Then, leveraging its business relationship with the initial customer in a targeted industry, it aims to obtain more customers in the same industry.

COMPETITION

The financial leasing companies in the PRC can be categorized based on the background of their shareholders, namely, (1) bank-based leasing companies, shareholders of which are with banking background, (2) manufacturer-based leasing companies, shareholders of which are with equipment manufacturing background, and (3) independent third-party leasing companies, shareholders of which are without any banking or manufacturing background.

Bank-based leasing companies were established under the new “Measures for the Administration of Financial Leasing Companies” promulgated by the China Banking Regulatory Commission in 2007. In reliance of the banking background of the shareholders, bank-based leasing companies tend to enjoy strong financial position and low financial costs. Bank-based leasing companies can often gain access to a wide customer group and sufficient customer credit information with the support of the network of shareholders.

Manufacturer-based leasing companies are generally funded by industrial capital or social capital. With the support of shareholders' knowledge about equipment and their marketing and after-sales network, the manufacturer-based leasing companies can enjoy a relatively developed marketing network and provide maintenance, value-added, and disposal services in respect of the leased goods in a relatively professional manner.

Although independent third-party leasing companies, to which the Group belong, has no banking or manufacturing background, they can be more independent in selecting customers and determining business strategies. More tail-made financial solutions including direct leases and leaseback can be provided to customers to meet the diversified and differentiated service needs of customers.

These three types of leasing companies target at different customers and industries. The customers of bank-based leasing companies are mainly the customers of shareholder banks and state-owned large and medium-sized enterprises. With a large scale of asset, they mainly concentrate in providing leasing services in the field of mass carriers such as aircraft and ships by way of leaseback. The customers of

manufacturer-based leasing companies are mainly the customers of the shareholders. They mainly focus on providing leasing services in the field of municipal engineering and industrial equipment, which often involves the leasing of shareholders' own equipment mainly in the form of direct leases. The customers of the independent third-party leasing companies are mainly small and medium-sized enterprises. They provides leasing services in the field of construction machinery, medical care, education, public utilities, and other industries, covering a wide and diversified scope of businesses. The leasing involves both direct lease and leaseback.

INTELLECTUAL PROPERTY RIGHTS

As at the date of this Offering Circular, the Group owns a series of intellectual properties including trademarks and softwares which were registered in the PRC. The Group relies to a significant extent on its brand name in its marketing and business development but its business operation is otherwise not materially dependent on any intellectual property rights. As at the date of this Offering Circular, the Group has not suffered any material infringement of intellectual property rights by other parties and, to the best of its knowledge, has not violated any intellectual property rights of any third parties nor was any member of the Group a party to any material litigation brought by any third party due to infringement of intellectual property rights.

INSURANCE

The Group maintains property insurance for assets underlying its leases to cover any loss or damage to such assets during the lease terms. In line with the industry practices, its customers usually pay the insurance premium and the Group is named as the beneficiary of such insurance.

Based on industry practices in the PRC, its experience in running its businesses, the availability of insurance products in the PRC and advice received from insurance agents, the Group believes that it has maintained such insurance coverage as it considers necessary and sufficient for its operations and customary for the industry in which it operates. Moreover, its policies are subject to standard deductibles, exclusions and limitations. Therefore, insurance might not necessarily cover all losses incurred by the Group and it cannot provide any assurance that it intends to not incur losses or suffer claims beyond the limits of, or outside the relevant coverage of, its insurance policies. Please see the section headed “*Risk Factors – Risks Relating to the Group’s Overall Business – the Group may not have adequate insurance coverage to cover potential liabilities or losses*” in this Offering Circular for further details. Its insurance policies are generally underwritten with reputable insurance providers, and the Group reviews its insurance policies annually. In addition, the Group maintained social security insurance for its employees as required by the social security laws and regulations in the PRC.

LICENCES AND PERMITS

The Group conducts its business mainly in the PRC and is therefore subject to applicable PRC regulatory requirements. For the years ended 31 December 2018, 2019 and 2020, the Group has complied with the relevant PRC regulatory requirements and guidelines in all material respects and, save as disclosed in this Offering Circular, obtained all the approvals, licences and permits necessary for its operations in the PRC in accordance with the PRC laws and regulations.

LEGAL PROCEEDINGS

The Group is from time to time involved in disputes and legal proceedings arising in the ordinary course of its business mainly as claimant for the claims initiated by the Group to recover payment of leasing receivables from its customers. As at the date of this Offering Circular, none of the Group nor its respective subsidiaries was involved in any material litigation or arbitration proceedings in the context of the offering of the Bonds and nor the Group is not aware of any such litigation or proceedings pending or threatened against it or any of its respective subsidiaries which are material in the context of the offering of the Bonds. However, the Group cannot assure that material legal proceedings, claims or

disputes will not arise in the future. See “*Risk Factors – Risks Relating to the Group’s Overall Business – The Group may be involved in legal and other proceedings arising out of its operations from time to time and may face significant liabilities as a result*”.

EMPLOYEES

As at 31 December 2020, the Group had more than 2,700 employees. The Group believes that it has a high-quality workforce possessing specialised industry expertise, with a majority of its employees having attained bachelor’s degrees and above, approximately one third portion of its employees holding master’s degrees and above and a majority of its employees have five years of working experience or above. The professional staff also has experience in the Group’s strategic targeted industries for its finance lease business such as urban development, engineering and construction, manufacturing, and other relevant industries. All of the Group’s management and key executives, and substantially all of the Group’s other employees, have entered into employment agreements with the Company, which contain confidentiality and non-competition provisions. Its senior management team is experienced in financial leasing and also in a number of ancillary fields. Most of them have worked in reputable international financial institutions before joining the Group. Meanwhile, the Group plans to further expand its technology and risk control workforce to 356 and 542 employees, representing approximately 13.1% and 19.9% of its total employees, respectively, to support its business growth. Please see the section headed “*Management of the Group*” in this Offering Circular for further details.

Employee Training

Professional and high quality employees are the Group’s key to success. The Group is committed to providing continued professional training to its employees and engaging them in significant transactions in order to motivate them. For example, periodic cross-training sessions are held where employees with expertise in certain subject matters present topics to educate other employees.

Employee Relations and Benefits

The Group believes that attracting, nourishing and retaining the right talent are the keys to building and strengthening its competitive advantages. To attract and retain quality personnel, the Group offers a competitive and fair remuneration and benefits packages to its employees, including additional overtime payment and discretionary bonus.

In accordance with applicable PRC laws and regulations, the Group provides its employees with basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance, maternity insurance and housing providence funds. As at the date of this Offering Circular, the Group had complied in all material aspects with all statutory social insurance and housing fund obligations applicable to the Group under PRC laws. As at the date of this Offering Circular, there were no strikes, protests or other material labor conflicts that materially impaired the Group’s business and image and it believes that it has maintained good relationship with its employees.

MANAGEMENT OF THE ISSUER

The members of the management of the Issuer as at the date of this Offering Circular are as follows:

Name	Title	Tenure
Wang Zhiliang	Director (Chairman)	July 2021-July 2024
Xie Yonglin	Director	July 2021-July 2024
Tong Kai	Director	July 2021-July 2024
Yang Chengliang	Director	July 2021-July 2024
Jin Ziwen	Director	July 2021-July 2024
Zheng Yiwei	Supervisor	July 2021-July 2024
Li Wenyi	Deputy General Manager	August 2014 –
Wei Linfeng	Deputy General Manager	June 2016 –
Huan Xueyong	Assistant to General Manager	April 2017 –
Zhao Jingang	Assistant to General Manager	May 2019 –
Shao Changwei	Assistant to General Manager	May 2019 –

The biographies of the Issuer's directors, supervisor and senior management as at the date of this Offering Circular are as follows:

DIRECTORS

Mr. WANG Zhiliang, born in 1979, has served as the chairman of the Issuer since 30 September 2020. Mr. Wang joined Ping An Group in 2002 and successively held positions in Ping An Life Insurance Co., Ltd. and Ping An Insurance. Mr. Wang has served as the employee representative supervisor of Ping An Insurance since August 2017, the office director since July 2018, and the chief administrative officer and office director since November 2019. Mr. Wang obtained a bachelor's degree from Tianjin University of Finance and Economics.

Mr. XIE Yonglin, born in 1968, served as a director of the Issuer since July 2018. Mr. Xie joined Ping An Group in 1994 and successively held positions in Ping An Property and Casualty Insurance Co., Ltd., Ping An Life Insurance Co., Ltd. and other subsidiaries of Ping An Insurance. Mr. Xie joined Ping An Bank Co., Ltd. in 2006, and successively held positions as operations director, human resources director, and vice president. Mr. Xie is currently the executive director, general manager, deputy chief executive officer of Ping An Insurance and chairman of Ping An Bank Co., Ltd. Mr. Xie obtained a master's degree in science and a doctorate of management from Nanjing University.

Mr. TONG Kai, born in 1971, has served as a director of the Issuer since August 2012. Mr. Tong joined Ping An Group in July 2004 and was the chairman of the board and the chief executive officer of Ping An Trust Co., Ltd. Mr. Tong was also the executive director and the head of insurance business in Asia Pacific (excluding Japan) of Goldman Sachs (Asia) LLC. Mr. Tong currently also serves as the co-chief investment officer of Ping An Insurance and chairman and chief executive officer of Ping An Insurance Overseas (Holdings) Co., Ltd. Mr. Tong obtained a master's degree in engineering from Oriel College of the University of Oxford and a master's degree in business administration from the European Institute of Business Administration.

Mr. YANG Chengliang, born in 1980, has served as a director of the Issuer since March 2021. Mr. Yang has worked in the State Administration of Foreign Exchange and in the business management department of the People's Bank of China. Mr. Yang has also served as the deputy director of the China Securities Regulatory Commission, and the director of the China-LAC Cooperation Fund. Mr. Yang joined Ping An Group in 2016 and served as the deputy general manager of the treasury department of Ping An Insurance, and currently serves as the director of the treasury department of Ping An Insurance. Mr. Yang obtained a doctorate of philosophy in finance from the Chinese Academy of Social Sciences, a master's degree in economics from the Japan Policy Research Institute, a master's degree in finance from Peking University and served as an associate researcher of the People's Bank of China.

Mr. JIN Ziwen, born in 1984, has served as a director of the Issuer since January 2019. He first joined the Ping An Group in 2014 and currently also serves as a senior human resource manager in the Human Resources Center of Ping An Insurance, director of Ping An Medical Technology Co., Ltd and director of Ping An Insurance Overseas (Holdings) Co., Ltd. From 2006 to 2013, Mr. Jin successively worked in Asia Business Corporation Corporate Consulting Co., Ltd., Towers Watson Consulting (Shanghai) Co., Ltd. and Mercer Consulting (China) Co., Ltd. Mr. Jin obtained a bachelor's degree in engineering from Zhejiang University.

SUPERVISOR

Mr. ZHENG Yiwei, born in 1984, has served as a supervisor of the Issuer since July 2021. Mr. Zheng served in Deloitte Touche Tohmatsu Certified Public Accountants LLP and joined the Ping An Group in May 2010. Mr. Zheng held various positions in Shenzhen Ping An Integrated Financial Services Co., Ltd., including the team manager of the on-site audit team of the Audit and Supervision Project Center, head of Shanghai Investment Audit Module, deputy general manager of Audit Consulting Service Department. Mr. Zheng currently also serves as the deputy general manager of the Internet Audit Office of the Audit and Supervision Project Center of Shenzhen Ping An Integrated Financial Services Co., Ltd., and a supervisor of Ping An Pension Insurance Co., Ltd. and Ping An Asset Management Co., Ltd. Mr. Zheng obtained a bachelor's degree in Mathematics with Applied Mathematics from Fudan University.

SENIOR MANAGEMENT

Mr. LI Wenyi, born in 1971, currently serves as a deputy general manager of the Issuer. Mr. Li joined the Issuer in 2012 and has served as an engineer of Beijing North Precision Machinery Factory of China North Industries Group Corporation Limited, department manager of China National Packaging Corporation. Mr. Li also held various positions in Far East Horizon Co., Ltd. including project manager, regional director, business operation director, assistant general manager, and deputy general manager of the industrial equipment division. Mr. Li graduated from Beijing Institute of Technology and obtained a master's degree in business administration from Tsinghua University.

Mr. WEI Linfeng, born in 1974, currently serves as a deputy general manager and the secretary of the board of directors of the Issuer since June 2016. Mr. Wei joined the Issuer in 2012. Mr. Wei has also served as the business manager of Anhui International Trust and Investment Co., Ltd., project manager of Shanghai Yongjia Investment Management Co., Ltd. Mr. Wei held various positions in Far East International Leasing Co., Ltd. including project manager, the institutional financing group leader, the assistant general manager, the deputy general manager of the third business department, and the deputy general manager and general manager of the education system business department. Mr. Wei obtained a master's degree in finance from Shanghai University of International Business and Economics.

Mr. HUAN Xueyong, born in 1974, serves as an assistant to the general manager of the Issuer. Mr. Xun joined the Issuer in 2012 and has served as the credit manager of the Heilongjiang branch of Agricultural Bank of China, and held various positions in Far East International Leasing Co., Ltd., including the quality control director, the assistant director of the operation center, and the head of the middle and back office of the business department. Mr. Xun obtained a master's degree in business administration from Tongji University.

Mr. ZHAO Jingang, born in 1977, serves as an assistant to the general manager of the Issuer. Mr. Zhao joined the Issuer in 2013 and served as a consultant of Shanghai Kerui Management Consulting Co., Ltd., department manager of Shanghai Huamin Investment Development Co., Ltd., senior consultant of Shanghai Shangzi Market Consulting Co., Ltd., regional head of Far East International Leasing Co., Ltd., senior account manager of SPDB Financial Leasing Co., Ltd. Mr. Zhao obtained a master's degree from Southwest Petroleum University.

Mr. SHAO Changwei, born in 1979, serves as an assistant to the general manager of the Issuer. Mr. Shao joined the Issuer in 2013. Mr. Shao served as an investment assistant in Shanghai Changjia Real Estate Co., Ltd. and director of financial business department of textile division of Far East International Leasing Co., Ltd. Mr. Shao obtained a master's degree in western economics from Shanghai Jiao Tong University.

CONTROLLING SHAREHOLDER

OVERVIEW

The Issuer's controlling shareholder, Ping An Insurance, throughout its key subsidiaries, including the Issuer, and associate companies, has been a leading integrated financial service provider in the PRC. Leveraging upon its single brand and multi-channel distribution networks, Ping An Insurance provides, through its subsidiaries and associate companies, individuals and businesses throughout China, a broad range of financial products and services. Ping An Group is engaged in three main business sectors, namely insurance, banking and asset management, further empowered in recent years by its internet finance operations represented by such companies as Shanghai Lujiazui International Financial Assets Commodity Exchange Company, Ltd. ("Lufax"), a public listed company on New York Stock Exchange. The financing leasing services is included under Ping An Group's asset management business section and led by the Issuer.

HONORS AND AWARDS

For the year ended 31 December 2020, Ping An Group continued to maintain a leading position in terms of brand value. As at the date of this Offering Circular, it has been rated AAA with a stable outlook by China Chengxin International Credit Rating Co., LTD. Its comprehensive strength and efforts in corporate governance and corporate social responsibility have won it numerous accolades and awards in the PRC and globally from independent third parties such as the authorities, rating agencies and media, including the following:

Corporate Strength

- *Fortune*
Ranked No. 21 on the *Fortune* Global 500 list, and No. 2 among global financial services companies
- *Fortune China*
Ranked No. 4 on the *Fortune China* 500 list, again No. 1 among Chinese insurers, and again No. 1 among Chinese non-state-owned companies
- *Forbes*
Ranked No. 7 on the *Forbes* Global 2000 list, again No. 1 among global insurance conglomerates, and again No. 1 among Chinese insurers

Corporate Governance

- *Institutional Investor*
Most Respected Enterprise in Asia
Best IR Program
Best ESG
Best CEO – Ma Mingzhe
Best CFO – Yao Jason Bo
- *Asiamoney*
Most Outstanding Company in China – Insurance Sector
Best Overall Outstanding Company in China
- The Chamber of Hong Kong Listed Companies and the Centre for Corporate Governance and Financial Policy, Hong Kong Baptist University Hong Kong Corporate Governance Excellence Award

Corporate Social Responsibility

- State Council Leading Group Office of Poverty Alleviation and Development
2020 National Award for Contribution to Poverty Alleviation – Ma Mingzhe
- Insurance Association of China
Excellent-organized Poverty Alleviation Cases in China's Insurance Industry
- *The Asset*
ESG Investor of the Year for Insurers
- *The Economic Observer*
The Most Respected Enterprise in China for 19 consecutive years
- Southern Weekly Exemplary Enterprise of the Year, Anti-epidemic Pioneer Enterprise Award

Brand

- Millward Brown & WPP
Ranked No. 38 on the BrandZ™ Top 100 Most Valuable Global Brands list, again No. 1 among global insurance brands
Ranked No. 7 on the BrandZ™ Top 100 Most Valuable Chinese Brands list, again No. 1 among Chinese insurance brands, and No. 2 among Chinese financial brands
- Brand Finance
Ranked No. 1 on the Brand Finance Insurance 100 2020 list

CORPORATE HISTORY

Ping An Group's predecessor was established in March 1988 under the name Shenzhen Ping An Insurance Company (“**Shenzhen Ping An**”), which was engaged primarily in the underwriting of property and casualty insurance in Shenzhen. As its operations expanded beyond Shenzhen, Shenzhen Ping An changed its name to Ping An Insurance Company of China in November 1992. Ping An Group began underwriting life insurance in July 1994, and its name was further changed to Ping An Insurance Company of China, Ltd. in January 1997 to reflect its reorganisation into a joint-stock company pursuant to PRC company law. In January 2003, Ping An Insurance was approved to be established as a holding company for Ping An Group's interests in subsidiaries and associate companies, with assets and liabilities related to its life insurance business and property and casualty insurance businesses contributed to and assumed by its subsidiaries. Since 2006 until 2011, Ping An Group expanded its commercial banking business by a series of merger and acquisition and finally renamed its subsidiary engaged in banking business as “Ping An Bank Co., Ltd.” in July 2012.

In June 2004, H shares of Ping An Insurance were listed on the main board of the Hong Kong Stock Exchange under stock code 2318. In March 2007, A shares of Ping An Insurance were listed on the Shanghai Stock Exchange under stock code 601318.

PING AN GROUP'S BUSINESS

Using the single brand and multi-channel distribution networks, Ping An Insurance provides, through its subsidiaries and associate companies, individuals and businesses throughout China, a broad range of financial products and services. Ping An Group is engaged in three main business sectors, namely insurance, banking and asset management.

Insurance Business

Since its establishment in 1988, Ping An Group has built one of the most recognised brand names in the PRC insurance industry. It has one of the largest, multi-channel insurance distribution networks in the PRC under a single brand name. As such, insurance business has been one of the core businesses of Ping An Insurance. It focuses its insurance business by several of its key subsidiaries on life insurance and property and casualty insurance business. Ping An Group has experienced steady growth in its overall insurance operations in recent years.

Ping An Group believes it is the leader in the PRC insurance industry having an extensive, multi-channel distribution network for its life insurance company. Ping An Group was the first PRC insurance company to introduce an agency-based distribution model for the insurance business. The Group markets its life insurance products primarily through sales agents, representatives, as well as brick and mortar outlets.

Banking Business

Ping An Group's banking sector offers a broad range of products and services to corporate customers, including corporate loans and deposits, trade finance, and other fee and commission-based services, such as entrusted loans, settlement and foreign exchange services. Meanwhile, it also offers a variety of products and services to retail customers, including retail loans and deposits, debit cards, credit cards, wealth management and other services.

In recent years, Ping An Insurance has built a unique presence in internet finance. Under the strategic initiative of “Technology-Driven Finance”, Ping An Insurance has actively expanded its internet finance business to establish a social financial service platform comprising wealth management, health management and family living management for its customers, as well as catering to a wide range of social users. One of its high profile internet platforms, Lufax, has been successfully listed on the New York Stock Exchange for the year ended 31 December 2020.

Asset Management Business

Ping An Group' s asset management business consists of five principal segments: securities, trust, investment management, funds and financial leasing businesses.

In its securities business, Ping An Insurance provides securities brokerage, futures brokerage, investment banking, asset management and financial advisory services through its subsidiaries. Ping An Group provides trust and investment management services to high net worth individual clients, institutional clients, interbank clients and its subsidiaries. Its funds business mainly engages in raising and sales of securities investment funds, assets management business and offering of professional investment products and related services to retail and institutional investors.

Financial leasing

Ping An Insurance conducts financial leasing business through the Issuer. The Issuer was founded in September 2012. It has engaged in health care, manufacturing and processing, infrastructure, government financing, education and culture as well as institutional financing. Leveraging on Ping An Insurance's solid capital strength, outstanding brand influence, synergies of full financial licences and the integrated financial services platform, The Issuer manages to play a key role in Ping An Group's global superior financial products and services offerings and it also strives to become a world-leading light capital leasing company, providing its clients with flexible and diversified financial products and comprehensive value-added services.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of the Bonds is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of the Bonds should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of the Bonds. It is emphasised that none of the Issuer nor any other persons involved in the issuance of the Bonds accepts responsibility for any tax effects or liabilities resulting from the subscription for purchase, holding or disposal of the Bonds.

Prospective investors should consult their professional advisers on the possible tax consequences of buying, holding or selling any Bonds under the laws of their country of citizenship, residence or domicile.

PRC

The following summary describes the principal PRC tax consequences of ownership and disposition of the Bonds by beneficial owners who, or which, are not residents of Mainland China for PRC tax purposes. These beneficial owners are referred to as non-PRC Bondholders in this section. In considering whether to invest in the Bonds, investors should consult their individual tax advisors with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction. Reference is made to PRC taxes from the taxable year beginning on or after 1 January 2008.

Pursuant to the Enterprise Income Tax Law effective on 29 December 2018 and the PRC Individual Income Tax Law effective on 1 January 2019, and their respective implementation regulations, an income tax is imposed on payments of interest by way of withholding in respect of the Bonds, made by the Issuer to non-resident Bondholders, including non-resident enterprises and non-resident individuals. The current rates of such income tax are 20 per cent. (for non-resident individuals) and 10 per cent. (for non-resident enterprises) of the gross amount of the interest. As the Issuer is a PRC resident enterprise for tax purposes, it is subject to enterprise income tax at the rate of 25% in respect of its income sourced from both within and outside PRC. Meanwhile, such enterprise income tax shall be withheld by the Issuer that is acting as the obligatory withholder and it shall withhold the tax amount from each payment due.

However, the tax so charged on interests paid on the Bonds to non-resident Bondholders who or which are residents of Hong Kong (including enterprise holders and individual holders) as defined under the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) which was promulgated on 21 August 2006 (the “**Tax Arrangement**”) for the purpose of the avoidance of double taxation will be 7 per cent. of the gross amount of the interest pursuant to the Tax Arrangement and relevant interpretation of the Tax Arrangement formulated by the State Administration of Taxation of China.

Under the Enterprise Income Tax Law and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the Enterprise Income Tax Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the Enterprise Income Tax Law, a “non-resident enterprise” means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. In addition, there is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent.

individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to the Tax Arrangement, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, may be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds.

In addition, pursuant to Circular 36 which took effect on 1 May 2016, entities and individuals providing services within the PRC are subject to VAT. The services are treated as being sold within the PRC where either the service provider or the service recipient is located in the PRC. The services subject to VAT include the provision of financial services such as the provision of loans. Circular 36 further clarifies that “loans” refer to the activity of lending capital for another’s use and receiving interest income thereon. Based on the definition of “loans” under Circular 36, the issuance of the Bonds is likely to be treated as a “loan” provided by the Bondholders to the Issuer, which thus shall be regarded as financial services for VAT purposes. Considering that the Issuer is deemed to be a PRC resident enterprise and is deemed to be within the PRC by the PRC tax authorities, the Bondholders may be deemed to be providing financial services to the Issuer within the PRC and consequently, the amount of interest on the Bonds payable by the Issuer to any non-resident Bondholders may be subject to withholding VAT at the rate of 6 per cent. plus related surcharges.

Where a holder of the Bonds who is an entity or individual located outside of the PRC resells the Bonds to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically Circular 36 does not apply and the Issuer does not have the obligation to withhold the VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC.

The interpretation and enforcement of Circular 36 and other applicable laws and regulations pertaining to PRC VAT involve uncertainties, and the above statements may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of Circular 36.

Pursuant to the Enterprise Income Tax Law, the PRC Individual Income Tax Law and the VAT reform detailed above, as the Issuer is regarded as a PRC tax resident enterprise, it shall withhold income tax (should such tax apply) from the payments of interest in respect of the Bonds for any non-resident Bondholder and the Issuer shall withhold VAT (should such tax apply) from the payments of interest in respect of the Bonds for any Bondholder located outside of the PRC. However, despite the withholding of the PRC tax by the Issuer, the Issuer has agreed to pay additional amounts to Bondholders so that Bondholders would receive the full amount of the scheduled payment, as further set out in the “*Terms and Conditions of the Bonds*”.

No PRC stamp duty will be imposed on non-resident Bondholders either upon issuance of the Bonds or upon a subsequent transfer of Bonds to the extent that the register of holders of the Securities is maintained outside the PRC and the issuance and the sale of the Bonds is made outside of the PRC.

Hong Kong

Withholding tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Bonds or in respect of any capital gains arising from the sale of the Bonds.

Profits tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (i) interest on the Bonds is derived from Hong Kong and is received by or accrues to a company carrying on a trade, profession or business in Hong Kong;
- (ii) interest on the Bonds is derived from Hong Kong and is received by or accrues to a person, other than a company, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;
- (iii) interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the “**IRO**”)) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- (iv) interest on the Bonds is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Bonds will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Bonds will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of.

Stamp duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Bond.

The proposed financial transactions tax (“FTT”)

On 14 February 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”). However, Estonia has since stated that it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced in its current form, apply to certain dealings in the Bonds (including secondary market transactions) in certain circumstances. The issuance and subscription of Bonds should, however, be exempt.

Under the Commission’s Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States and the scope of such tax is uncertain. Additional EU Member States may decide to participate. Prospective holders of the Bonds are advised to seek their own professional advice in relation to the FTT.

PRC REGULATIONS

RECORD FILING AND REGISTRATION

The Circular of the National Development and Reform Commission on Promoting the Administrative Reform of the Record-filing and Registration System for the Issuance of Foreign Debts by Enterprises promulgated on 14 September 2015, relates to the matters as listed below:

1. remove the quota review and approval system for the issuance of foreign debts by enterprises, reform and innovate the ways that foreign debts are managed, and implement the administration of record-filing and the registration system. Realise the supervision and administration of the size of foreign debts borrowed on a macro level with the record-filing, registration, and information reporting of the issuance of foreign debts by enterprises;
2. before the issuance of foreign debts, enterprises shall first apply to the National Development and Reform Commission (the “**NDRC**”) for the handling of the record-filing and registration procedures and shall report the information on the issuance to the NDRC within 10 working days of completion of each issuance (Reporting Form for Information on the Issuance of Foreign Debts by Enterprises, Appendix 1);
3. record-filing and registration materials to be submitted by an enterprise for the issuance of foreign debts shall include: application report for the issuance of foreign debts and issuance plan, including the currency, size, interest rate, and maturity of foreign debts, the purpose of the funds raised, back flow of funds, etc. The applicant shall be responsible for the authenticity, legality, and completeness of the application materials and information;
4. the NDRC shall decide whether to accept the application for record-filing and registration within 5 working days of receiving it and shall issue a Certificate for Record-filing and Registration of the Issuance of Foreign Debts by Enterprises (Appendix 2) within 7 working days of accepting the application and within the limit of the total size of foreign debts;
5. the issuer of foreign debts shall handle the procedures related to the outflow and inflow of foreign debt funds with the Certificate for Record-filing and Registration according to the regulations. When the limit of the total size of foreign debts is exceeded, the NDRC shall make a public announcement and no longer accept applications for record-filing and registration;
6. if there is a major difference between the actual size of the foreign debts issued by the enterprises and the size indicated in the record-filing and registration, an explanation shall be given when reporting relevant information. The NDRC shall enter the poor credit record of an enterprise which maliciously and falsely reports the size of its foreign debts for record-filing and registration into the national credit information platform.

REMITTANCE OF RENMINBI INTO AND OUTSIDE THE PRC

Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside the PRC is subject to control imposed under PRC law.

CURRENT ACCOUNT ITEMS

Under PRC foreign exchange control regulations, current account items refer to any transaction for international receipts and payments involving goods, services, earnings and other frequent transfers.

Prior to July 2009, all current account items were required to be settled in foreign currencies with limited exceptions. Following progressive reforms, Renminbi settlement of imports and exports of goods and of services and other current account items became permissible nationwide in 2012, except that the key enterprises on a Supervision List determined by the PBOC and five other relevant authorities would be subject to enhanced scrutiny when banks process current account cross-border repatriations. On 5 July

2013, the PBOC promulgated the Circular on Policies related to Simplifying and Improving Cross-border Renminbi Business Procedures (the “**2013 PBOC Circular**”) with the intent to improve the efficiency of cross border Renminbi settlement and facilitate the use of Renminbi for the settlement of cross border transactions under current accounts or capital accounts. In particular, the 2013 PBOC Circular simplifies the procedures for cross border Renminbi trade settlement under current account items. On 1 November 2014, PBOC introduced a cash pooling arrangement for qualified multinational enterprise group companies, under which a multinational enterprise group can process cross-border Renminbi payments and receipts for current account items on a collective basis for eligible member companies in the group. On 5 September 2015, PBOC promulgated the Circular on Further Facilitating the Cross-Border Bi-directional Renminbi Cash Pooling Business by Multinational Enterprise Groups (關於進一步便利跨國企業集團開展跨境雙向人民幣資金池業務的通知) (the “**2015 PBOC Circular**”), which, among others, have lowered the eligibility requirements for multinational enterprise groups and increased the cap for net cash inflow. The 2015 PBOC Circular also provides that enterprises in the China (Shanghai) Free Trade Pilot Zone (“**Shanghai FTZ**”) may establish an additional cash pool in the local scheme in the Shanghai FTZ, but each onshore company within the group may only elect to participate in one cash pool.

As a new regulation, the 2015 PBOC Circular will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying the 2015 PBOC Circular and impose conditions for settlement of current account items.

CAPITAL ACCOUNT ITEMS

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of, and/or registration of filing with, the relevant PRC authorities.

Settlements for capital account items are generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) are required to make any capital contribution to foreign invested enterprises in a foreign currency in accordance with the terms set out in the relevant joint venture contracts and/or articles of association as approved by the relevant authorities. Foreign invested enterprises or relevant PRC parties are also generally required to make capital item payments including proceeds from liquidation, transfer of shares, reduction of capital, interest and principal repayment to foreign investors in a foreign currency. That said, the relevant PRC authorities may grant approval for a foreign entity to make a capital contribution or a shareholder’s loan to a foreign invested enterprise with Renminbi lawfully obtained by it outside the PRC and for the foreign invested enterprise to service interest and principal repayment to its foreign investor outside the PRC in Renminbi on a trial basis. The foreign invested enterprise may be required to complete a registration and verification process with the relevant PRC authorities before such Renminbi remittances.

Under progressive reforms by PBOC, the MOFCOM and the State Administration of Foreign Exchange of the PRC (“**SAFE**”), foreign investors are now permitted to make capital contribution, share transfer, profit allocation and liquidation and certain other transactions in Renminbi for their foreign direct investment within the PRC. Cross-border Renminbi payment infrastructure and trading facilities are being improved. Approval, registration and filing requirements for capital account payments in Renminbi are being removed gradually. In addition, the Circular on Reforming Foreign Exchange Capital Settlement for Foreign Invested Enterprises (關於改革外商投資企業外匯資本金結匯管理方式的通知) which became effective on 1 June 2015, allows foreign-invested enterprises to settle 100 per cent. (subject to future adjustment at discretion of SAFE) of the foreign currency capital (which has been processed through SAFE’s equity interest confirmation procedure for capital contribution in cash or registered by a bank on SAFE’s system for account-crediting for such capital contribution) into Renminbi according to their actual operational needs. A negative list with respect to the usage of the capital and the Renminbi proceeds through the aforementioned settlement procedure is set forth under the Circular. In particular, a foreign invested enterprise with investment as its main business is permitted to use such Renminbi proceeds to make equity contribution to its invested enterprises directly, without further fillings with SAFE.

PRC entities are also permitted to borrow Renminbi-denominated loans from foreign lenders (which are referred to as “**foreign debt**”) and lend Renminbi-denominated loans to foreign borrowers (which are referred to as “**outbound loans**”), as long as such PRC entities have the necessary quota, approval or registration. PRC entities may also denominate security or guarantee arrangements in Renminbi and make payments thereunder to parties in the PRC as well as other jurisdictions (which is referred to as “**cross-border security**”). Under current rules promulgated by SAFE, foreign debts borrowed, outbound loans extended, and the cross-border security provided by a PRC onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt, outbound loan and cross-border security regimes applicable to foreign currencies. However, there remains potential inconsistencies between the provisions of the SAFE rules and the provisions of the 2013 PBOC Circular. It is not clear how regulators will deal with such inconsistencies in practice.

According to the 2015 PBOC Circular, qualified multinational enterprise groups can extend Renminbi-denominated loans to, or borrow Renminbi-denominated loans from, eligible offshore member entities within the same group by leveraging the cash pooling arrangements. The Renminbi funds will be placed in a special deposit account and may not be used to invest in stocks, financial derivatives, or non-self-use real estate assets, or purchase wealth management products or extend loans to enterprises outside the group. Enterprises within the Shanghai FTZ may establish another cash pool under the Shanghai FTZ rules to extend inter-company loans, although Renminbi funds obtained from financing activities may not be pooled under this arrangement.

Qualified non-financial enterprises within the Shanghai FTZ, the China (Guangdong) Free Trade Pilot Zone, the China (Tianjin) Free Trade Pilot Zone and the China (Fujian) Free Trade Pilot Zone are permitted to borrow Renminbi from offshore lenders within the prescribed macro prudential management limit. However, there is some uncertainty in relation to how this will apply to non-financial enterprises in the Shanghai FTZ that are currently permitted to settle foreign debt proceeds in Renminbi on a voluntary basis, **provided that** the proceeds should not be used beyond their business scope or in violation of relevant laws and regulations, under the existing account-based settlement scheme.

Pilot schemes relating to cross-border Renminbi loans, bonds, or equity investments have also been launched for, among others, enterprises in Shenzhen Qianhai, Jiangsu Kunshan, Jiangsu Suzhou Industrial Park.

On 9 June 2016, SAFE issued the Notice on Reforming and Regulating the Policies for the Administration of Settlement of Foreign Exchange under Capital Accounts (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知), which provided, among others, that the settlement of foreign exchange funds under capital accounts (including the including foreign capital, debt financing and overseas listing repatriation of funds, etc.) that are subject to willingness settlement as already specified by relevant policies may be handled at banks based on the domestic institutions’ actual requirements for business operation, and where there are restrictive provisions in any current regulations on the settlement of foreign exchange funds under capital accounts of domestic institutions, these provisions shall prevail.

Recent reforms introduced were aimed at controlling the remittance of Renminbi for payment of transactions categorised as capital account items. There is no assurance that the PRC Government will continue to gradually liberalise the control over Renminbi payments of capital account item transactions in the future.

Such circulars, which are new regulations, will be subject to interpretation and application by the relevant PRC authorities. If any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN CAS AND IFRS

The consolidated financial statements of the Issuer included in this Offering Circular have been prepared and presented in accordance with CAS. CAS is substantially in line with IFRS, except for certain modifications which reflects the PRC's unique circumstances and environment. The following is a general summary of certain differences between CAS and IFRS on recognition and presentation as applicable to the Issuer. The Issuer is responsible for preparing the summary below. Since the summary is not meant to be exhaustive, there is no assurance regarding the completeness of the financial information and related footnote disclosure between CAS and IFRS and no attempt has been made to quantify such differences. Had any such quantification or reconciliation been undertaken by the Issuer, other potentially significant accounting and disclosure differences may have been required that are not identified below. Additionally, no attempt has been made to identify possible future differences between CAS and IFRS as a result of prescribed changes in accounting standards. Regulatory bodies that promulgate CAS and IFRS have significant ongoing projects that could affect future comparisons or events that may occur in the future.

Accordingly, there is no assurance that the following summary of differences between CAS and IFRS is complete. In making an investment decision, each investor must rely upon its own examination of the Group, the terms of the offering and other disclosure contained herein. Each investor should consult its own professional advisors for an understanding the differences between CAS and IFRS and/or between CAS and other generally accepted accounting principles, and how those differences might affect the financial information contained herein.

Reversal of an Impairment Loss

Under CAS, once an impairment loss is recognised for a long-term asset (including fixed assets, intangible assets and goodwill, etc.), it shall not be reversed in any subsequent period. Under IFRS, an impairment loss recognised in prior periods for an asset other than goodwill could be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

SUBSCRIPTION AND SALE

The Issuer has entered into a subscription agreement with the Joint Lead Managers dated 2021 (the “**Subscription Agreement**”), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have agreed to, severally but not jointly, subscribe and pay for, or to procure subscribers to subscribe and pay for, the Bonds in the amount set forth opposite its name below:

	Principal Amount of the Bonds to be subscribed
	<i>(U.S.\$)</i>
Joint Lead Managers	
China CITIC Bank International Limited	
Guotai Junan Securities (Hong Kong) Limited	
Mizuho Securities Asia Limited.	
Bank of China Limited	
Industrial Bank Co., Ltd. Hong Kong Branch.	
Australia and New Zealand Banking Group Limited	
China Minsheng Banking Corp., Ltd., Hong Kong Branch.	
TOTAL	<hr/> <hr/>

The Subscription Agreement provides that the Issuer will indemnify the Joint Lead Managers and their affiliates against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent, and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment for the Bonds being made to the Issuer.

The Joint Lead Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Joint Lead Managers and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for, and have entered, and may in the future enter, into certain commercial banking transactions with, and have performed, and may in the future perform services for the Issuer and/or the Group and/or their affiliates in the ordinary course of their business for which they have received or will receive customary fees and expenses.

The Joint Lead Managers and their respective affiliates may purchase the Bonds and be allocated Bonds for asset management and/or proprietary purposes but not with a view to distribution. References herein to the Bonds being offered should be read as including any offering of the Bonds to the Joint Lead Managers and/or their affiliates acting in such capacity. In the ordinary course of their various business activities, the Joint Lead Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

In connection with the issue of the Bonds, any of the Joint Lead Managers appointed and acting in the capacity of a stabilisation manager (or persons acting on its behalf) (the “**Stabilisation Manager**”) may, to the extent permitted by applicable laws and directives, over-allot the Bonds or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise

prevail, but in so doing, the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager shall act as principal and not as agent of the Issuer. However, there is no assurance that the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager will undertake stabilisation action. Any loss or profit sustained as a consequence of any such over-allotment or stabilisation shall be for the account of the Joint Lead Managers.

No action has been or will be taken that would, or is intended to, permit a public offering of the Bonds, or the possession or distribution of this Offering Circular or any amendment or supplement thereto or any offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required.

Accordingly, the Bonds should not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material, circular, prospectus, form of application or advertisement in connection with the Bonds should be distributed or published in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws and regulations and will not, save as disclosed in this Offering Circular, impose any obligations on the Issuer or the Joint Lead Managers.

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

GENERAL

Neither of the Issuer or the Joint Lead Managers makes any representation that any action has been or will be taken in any jurisdiction by the Joint Lead Managers or the Issuer that would permit a public offering of the Bonds, or possession or distribution of this Offering Circular or any other offering or publicity material relating to the Bonds (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. Each of the Joint Lead Managers will comply to the best of their knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which they acquire, offer, sell or deliver Bonds or have in their possession or distribute this Offering Circular or any such other material. The Issuer will have no responsibility for, and the Joint Lead Managers will obtain any consent, approval or permission required by it for, the acquisition, offer, sale or delivery by it of Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it makes any acquisition, offer, sale or delivery. Each of the Joint Lead Managers is not authorised to make any representation or use any information in connection with the issue, subscription and sale of the Bonds, other than as contained in, or which is consistent with this Offering Circular or any amendment or supplement to it.

If a jurisdiction requires that the offering of the Bonds be made by a licensed broker or dealer and a Joint Lead Manager or any affiliate of that Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the offering of the Bonds shall be deemed to be made by that Joint Lead Manager or its affiliate on behalf of the Issuer in such jurisdiction.

United States of America

The Bonds have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.

The Bonds are being offered and sold outside of the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each Joint Lead Manager has represented, warranted and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

The Netherlands

The Bonds are and may not be offered in the Netherlands other than to persons or entities who or which are qualified investors as defined in the Prospectus Directive.

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”). Accordingly, each Joint Lead Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Hong Kong

Each Joint Lead Manager has represented, warranted and agreed that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

PRC

Each Joint Lead Manager has represented and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the People’s Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the People’s Republic of China.

Singapore

Each Joint Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented, warranted and agreed that it has not offered or sold any Bonds or caused such Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell such Bonds or cause such Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Bonds, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time including by any subsidiary legislation as may be applicable at the relevant time (together, the “SFA”)) pursuant to Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

GENERAL INFORMATION

1. **Security Codes:** The ISIN of the Bonds is XS2355595443. The Common Code of the Bonds is 235559544.
2. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Bonds, the Trust Deed and the Agency Agreement. The issue of the Bonds was authorised by resolutions of the board of directors of the Issuer passed on 14 September 2020 and a decision made by the chairman of the board of directors on 20 July 2021.
3. **No Material Adverse Change:** There has been no change, or any development or event involving a prospective change, in the condition (financial or other), prospects, results of operations or general affairs of the Issuer or the Group, which is material and adverse in the context of the issue and offering of the Bonds since 31 December 2020.
4. **Litigation:** None of the Issuer or any of its subsidiaries is involved in any litigation or arbitration proceedings that the Issuer believes are, for the 12 months prior to the date of this Offering Circular, material in the context of the Bonds, nor is the Issuer aware that any such proceedings are pending or threatened.
5. **Listing of Bonds:** Application will be made to the HKSE for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only.
6. **Available Documents:** As long as any Bond is outstanding, copies of the following documents will be available for inspection at the principal place of business of the Issuer:
 - (a) constitutive documents of the Issuer;
 - (b) copies of the Issuer's audited consolidated financial statements as at and for the year ended 31 December 2020;
 - (c) the Agency Agreement; and
 - (d) the Trust Deed.

As long as any Bond is outstanding, copies of the documents referred to in paragraphs (c) and (d) above will be available for inspection at the principal place of business of the Trustee (being at the date of this Offering Circular at One Canada Square, London E14 5AL, United Kingdom) at all reasonable times during usual business hours (being between 9:00 a.m. and 3:00 p.m., from Monday to Friday excluding public holidays) following prior written request and proof of holding and identity satisfactory to the Trustee.

In addition, the Issuer has given certain covenants in the Trust Deed to make available to the Trustee certain financial information on an ongoing basis, so long as the Bonds remain outstanding. See Condition 4.2 (*Information Rights*) of the Terms and Conditions.

7. **Financial Statements:** the Issuer's audited consolidated financial statements as at and for the year ended 31 December 2019 and 2020 which are included elsewhere in this Offering Circular have been audited by PricewaterhouseCoopers Zhong Tian LLP as stated in its report appearing herein.

The Issuer's Audited Consolidated Financial Statements are in Chinese only, while English translations of such financial statements have been prepared and included in this Offering Circular for reference only. The Issuer's Audited Consolidated Financial Statements in Chinese are available on the website of National Interbank Funding Center (<http://www.chinamoney.com.cn/>).

8. **LEI:** The Issuer's LEI code is 6556006AE2PTAEC8R04.

INDEX TO FINANCIAL STATEMENTS

The Issuer's Audited Consolidated Financial Statements are in Chinese only, while English translations of such financial statements have been prepared and included in this Offering Circular for reference only. The Issuer's Audited Consolidated Financial Statements in Chinese are available on the website of National Interbank Funding Center (<http://www.chinamoney.com.cn/>).

ENGLISH TRANSLATION OF THE ISSUER'S AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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ENGLISH TRANSLATION OF THE ISSUER'S AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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PING AN INTERNATIONAL FINANCIAL LEASING CO., LTD.

**FINANCIAL STATEMENTS AND
AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020**

[English translation for reference only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail.]

Ping An International Financial Leasing Co., Ltd.

Financial Statements and Auditor's Report
For the Year Ended 31 December 2020
[English translation for reference only]

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[English Translation for Reference Only]

Auditor's Report

PwC ZT Shen Zi (2021) No. 20210
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To the Board of Directors of Ping An International Financial Leasing Co., Ltd.,

Opinion

What we have audited

We have audited the accompanying financial statements of Ping An International Financial Leasing Co., Ltd. ("Ping An Financial Leasing"), which comprise:

- the consolidated and company balance sheets as at 31 December 2020;
- the consolidated and company income statements for the year then ended;
- the consolidated and company cash flow statements for the year then ended;
- the consolidated and company statements of changes in owners' equity for the year then ended; and
- notes to the financial statements.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of Ping An Financial Leasing as at 31 December 2020, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises ("CASs").

Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of Ping An Financial Leasing in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants ("CICPA Code"), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management of Ping An Financial Leasing is responsible for the preparation and fair presentation of these financial statements in accordance with the CASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, management is responsible for assessing Ping An Financial Leasing's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Ping An Financial Leasing or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing Ping An Financial Leasing's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether these financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Ping An Financial Leasing's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in these financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Ping An Financial Leasing to cease to continue as a going concern.
- Evaluate the overall presentation (including the disclosures), structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Ping An Financial Leasing to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers Zhong Tian LLP

Signing CPA

Yeung Sheung Yuen

Shanghai, the People's Republic of China
25 February 2021

Signing CPA

Wu Yingzi

PING AN INTERNATIONAL FINANCIAL LEASING CO., LTD.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2020

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

	Note 7	31 December 2020	31 December 2019
Current assets			
Cash at bank and on hand	1	14,826,945,738	10,381,275,732
Financial assets held for trading	2	3,885,352,006	9,489,439,374
Financial assets held under resale agreements	3	499,900,000	-
Notes receivable	4	583,959,505	795,118,981
Accounts receivable	5	43,126,638	26,781,952
Derivative financial assets	6	7,684,939	108,107,897
Other receivables	7	1,149,653,271	5,636,312,163
Inventories	8	30,067,803	10,553,814
Other current assets	9	392,370,501	382,399,237
Current portion of non-current assets	10	119,008,114,921	95,421,102,953
Total current assets		140,427,175,322	122,251,092,103
Non-current assets			
Long-term receivables	11	127,117,177,228	120,376,941,649
Advances to suppliers		107,903,035	175,947,449
Long-term equity investments	12	2,244,859,086	1,865,059,519
Other non-current financial assets	13	957,091,911	2,144,951,610
Fixed assets	14	990,020,097	964,810,877
Construction in progress		191,439,429	207,809,992
Right-of-use assets	15	426,029,870	N/A
Intangible assets	16	95,802,039	88,526,636
Development costs	16	30,703,767	31,484,973
Goodwill		512,496	512,496
Long-term prepaid expenses	17	1,356,802,534	341,611,675
Deferred tax assets	18	2,354,686,035	2,035,885,332
Other non-current assets	19	1,660,804,411	4,001,886,840
Total non-current assets		137,533,831,938	132,235,429,048
TOTAL ASSETS		277,961,007,260	254,486,521,151

PING AN INTERNATIONAL FINANCIAL LEASING CO., LTD.

CONSOLIDATED BALANCE SHEET (CONT'D)

AS AT 31 DECEMBER 2020

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

	Note 7	31 December 2020	31 December 2019
Current liabilities			
Short-term borrowings	20	34,870,166,607	28,736,945,993
Notes payable	21	4,738,177,472	3,802,420,287
Accounts payable	22	2,086,697,699	467,940,543
Advances from customers		344,008,579	398,285,783
Contract liabilities	23	31,274,438	69,578,213
Employee benefits payable	24	894,556,155	802,197,856
Taxes payable	25	1,051,446,738	987,358,174
Derivative financial liabilities	6	502,103,427	121,043,253
Short-term bonds	28	36,943,170,644	27,542,615,275
Other payables	26	16,912,101,448	11,321,227,322
Current portion of non-current liabilities	27	37,370,771,511	34,622,406,095
Total current liabilities		135,744,474,718	108,872,018,794
Non-current liabilities			
Long-term borrowings	20	40,892,839,232	44,445,594,306
Bonds payable	28	40,395,988,574	39,110,782,817
Including: Perpetual bonds		-	2,096,932,289
Lease liabilities	29	453,996,153	N/A
Deferred income	30	408,759,263	471,718,519
Long-term payables	31	16,403,001,162	19,015,560,449
Deferred tax liabilities	18	-	3,222,013
Other non-current liabilities	32	2,549,629,732	4,964,804,328
Total non-current liabilities		101,104,214,116	108,011,682,432
Total liabilities		236,848,688,834	216,883,701,226
Owners' equity			
Paid-in capital	33	14,237,991,266	13,634,810,443
Other equity instruments	34	11,606,815,013	11,474,424,122
Including: Perpetual bonds		11,606,815,013	11,474,424,122
Capital surplus	35	1,159,898,640	1,821,693,044
Surplus reserve	36	732,998,695	537,109,439
Other comprehensive income	37	52,611,622	(167,289,713)
Undistributed profits	38	13,318,492,723	10,291,600,610
Total equity attributable to owners of the parent company		41,108,807,959	37,592,347,945
Minority interests		3,510,467	10,471,980
Total owners' equity		41,112,318,426	37,602,819,925
TOTAL LIABILITIES AND OWNERS' EQUITY		277,961,007,260	254,486,521,151

The accompanying notes form an integral part of these financial statements.

Legal representative: Principal in charge of accounting: Head of accounting department:

PING AN INTERNATIONAL FINANCIAL LEASING CO., LTD.

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2020

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

	Note 7	31 December 2020	31 December 2019
Current assets			
Cash at bank and on hand	1	11,506,943,095	6,647,499,426
Financial assets held for trading	2	3,830,687,244	8,139,439,374
Financial assets held under resale agreements	3	499,900,000	-
Notes receivable	4	582,989,498	772,663,059
Derivative financial assets	6	475,840	89,563,847
Other receivables	7	32,042,757,563	42,812,942,762
Other current assets	9	150,596,387	126,806,362
Current portion of non-current assets	10	73,661,262,163	52,092,879,798
Total current assets		122,275,611,790	110,681,794,628
Non-current assets			
Long-term receivables	11	71,014,778,332	64,321,704,925
Advances to suppliers		1,523,694	2,285,394
Long-term equity investments	12	12,168,567,139	11,817,554,626
Other non-current financial assets	13	296,246,895	1,370,385,274
Fixed assets	14	24,957,810	39,548,553
Construction in progress		96,679,534	-
Right-of-use assets	15	101,211,955	N/A
Intangible assets	16	79,910,675	73,754,124
Development costs	16	25,657,664	23,257,208
Long-term prepaid expenses	17	954,427,601	9,660,395
Deferred tax assets	18	1,403,500,588	1,100,191,754
Investment properties		288,596,351	296,659,283
Other non-current assets	19	1,572,994,411	3,832,760,736
Total non-current assets		88,029,052,649	82,887,762,272
TOTAL ASSETS		210,304,664,439	193,569,556,900

PING AN INTERNATIONAL FINANCIAL LEASING CO., LTD.

COMPANY BALANCE SHEET (CONT'D)

AS AT 31 DECEMBER 2020

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

	Note 7	31 December 2020	31 December 2019
Current liabilities			
Short-term borrowings	20	25,815,521,098	18,840,568,773
Notes payable	21	3,411,694,544	2,409,133,147
Accounts payable	22	731,486,552	421,098,644
Advances from customers		190,107,439	183,747,366
Contract liabilities	23	4,226,861	33,874,782
Employee benefits payable	24	589,943,917	647,106,988
Taxes payable	25	428,307,179	185,510,423
Derivative financial liabilities	6	445,103,579	60,566,867
Short-term bonds	28	36,134,914,350	27,542,615,275
Other payables	26	10,167,669,496	7,453,343,457
Current portion of non-current liabilities	27	25,010,940,176	25,146,468,029
Total current liabilities		102,929,915,191	82,924,033,751
Non-current liabilities			
Long-term borrowings	20	22,245,470,680	25,359,447,804
Bonds payable	28	40,395,988,574	39,110,782,817
Including: Perpetual bonds		-	2,096,932,289
Lease liabilities	29	100,503,015	N/A
Deferred income	30	88,047,866	142,426,139
Long-term payables	31	9,543,222,939	10,108,653,298
Other non-current liabilities	32	2,432,990,075	4,763,870,649
Total non-current liabilities		74,806,223,149	79,485,180,707
Total liabilities		177,736,138,340	162,409,214,458
Owners' equity			
Paid-in capital	33	14,237,991,266	13,634,810,443
Other equity instruments	34	11,606,815,013	11,474,424,122
Including: Perpetual bonds		11,606,815,013	11,474,424,122
Capital surplus	35	1,213,244,112	1,846,396,327
Surplus reserve	36	732,998,695	537,109,439
Other comprehensive income	37	(36,686,340)	(50,892,988)
Undistributed profits	38	4,814,163,353	3,718,495,099
Total owners' equity		32,568,526,099	31,160,342,442
TOTAL LIABILITIES AND OWNERS' EQUITY		210,304,664,439	193,569,556,900

The accompanying notes form an integral part of these financial statements.

Legal representative: Principal in charge of accounting: Head of accounting department:

PING AN INTERNATIONAL FINANCIAL LEASING CO., LTD.

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

Item	Note 7	2020	2019
Revenue	39	19,423,395,627	19,668,143,174
Less: Cost of sales	40	(9,338,377,574)	(9,847,021,513)
Taxes and surcharges	41	(72,950,253)	(84,079,819)
Operational and administrative expenses	42	(2,739,102,885)	(2,714,486,972)
Exchange gains or losses		12,202,955	(24,004,892)
Add: Other income	43	594,631,602	575,090,196
Investment income	44	222,257,419	900,348,119
Including: Share of profit of associates and joint ventures		(47,959,967)	410,260,712
Gains or losses on net exposure hedges		(116,005,206)	(121,521,801)
Gains/(Losses) on changes in fair value	45	(139,513,978)	(449,515,202)
Credit impairment losses	46	(2,468,277,462)	(1,916,730,543)
Asset impairment losses	47	(9,159,037)	(5,871,128)
Gains or losses on disposal of assets		9,226,718	5,342,020
Operating profit		5,378,327,926	5,985,691,639
Add: Non-operating income		20,770,815	1,390,890
Less: Non-operating expenses		(2,550,704)	(17,450)
Total profit		5,396,548,037	5,987,065,079
Less: Income tax expenses	48	(1,550,234,062)	(1,548,351,383)
Net profit	38	3,846,313,975	4,438,713,696
Including: Net profit of the acquiree in a business combination under common control before the combination date		(589)	N/A
Classified by continuity of operations			
Net profit from continuing operations		3,846,313,975	4,438,713,696
Classified by ownership of the equity			
Attributable to equity owners of the parent company		3,853,275,488	4,439,327,312
Minority interests		(6,961,513)	(613,616)
Other comprehensive income, net of tax			
Attributable to equity owners of the parent company	37	219,901,335	(148,342,953)
Other comprehensive income which will be subsequently reclassified to profit or loss			
Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit and loss		26,432,182	(215,025)
Effective portion of gains or losses on hedging instruments in a cash flow hedge		(26,405,511)	(87,888,533)
Differences on translation of foreign currency financial statements		219,874,664	(60,239,395)
Total comprehensive income		4,066,215,310	4,290,370,743
Attributable to equity owners of the parent company		4,073,176,823	4,290,984,359
Attributable to minority interests		(6,961,513)	(613,616)

The accompanying notes form an integral part of these financial statements.

Legal representative: Principal in charge of accounting: Head of accounting department:

PING AN INTERNATIONAL FINANCIAL LEASING CO., LTD.

**COMPANY INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

Item	Note 7	2020	2019
Revenue	39	12,600,380,953	10,649,620,208
Less: Cost of sales	40	(6,981,295,998)	(6,887,308,972)
Taxes and surcharges	41	(34,403,429)	(34,485,563)
Operational and administrative expenses	42	(1,710,446,816)	(1,918,008,474)
Exchange gains or losses		13,807,227	(15,861,489)
Add: Other income	43	72,434,799	51,232,013
Investment income	44	280,319,494	1,317,675,545
Including: Share of profit of associates and joint ventures		43,252,979	467,306,399
Gains or losses on net exposure hedges		(53,786,673)	(4,968,915)
Gains/(Losses) on changes in fair value	45	(127,638,847)	(441,167,490)
Credit impairment losses	46	(1,553,035,374)	(1,337,411,775)
Gains or losses on disposal of assets		(2,114,310)	(123,791)
Operating profit		2,504,221,026	1,379,191,297
Add: Non-operating income		15,511,558	1,298,998
Less: Non-operating expenses		(571,632)	-
Total profit		2,519,160,952	1,380,490,295
Less: Income tax expenses	48	(596,827,719)	(209,685,805)
Net profit	38	1,922,333,233	1,170,804,490
Classified by continuity of operations			
Net profit from continuing operations		1,922,333,233	1,170,804,490
Other comprehensive income, net of tax			
Other comprehensive income which will be subsequently reclassified to profit or loss			
Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit and loss		26,432,182	(215,025)
Effective portion of gains or losses on hedging instruments in a cash flow hedge		(12,225,534)	(45,280,317)
Total comprehensive income		1,936,539,881	1,125,309,148

The accompanying notes form an integral part of these financial statements.

Legal representative: Principal in charge of accounting: Head of accounting department:

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

Item	Note 7	2020	2019
1. Cash flows from operating activities			
Cash received from finance lease interest, operating lease income, service fee income and other operating income		19,027,875,673	21,139,577,753
Net cash received from borrowings		7,058,833,785	3,934,986,361
Cash received from finance lease deposits		-	758,530,947
Cash received from recovery of bank deposits		447,159,584	713,028,215
Cash received relating to other operating activities		9,316,287,037	1,782,813,086
Sub-total of cash inflows		<u>35,850,156,079</u>	<u>28,328,936,362</u>
Net increase in cash paid for long-term receivables		(30,288,752,630)	(26,771,070,589)
Cash paid for finance lease deposits refund		(2,116,234,760)	-
Cash paid for interest expenses		(4,358,853,116)	(7,241,117,475)
Cash paid to and on behalf of employees		(1,548,662,842)	(1,522,975,266)
Payments for taxes and surcharges		(1,716,944,861)	(2,440,163,430)
Cash paid relating to other operating activities	49	<u>(2,922,715,199)</u>	<u>(2,004,626,036)</u>
Sub-total of cash outflows		<u>(42,952,163,408)</u>	<u>(39,979,952,796)</u>
Net cash flows used in operating activities	49	<u>(7,102,007,329)</u>	<u>(11,651,016,434)</u>
2. Cash flows from investing activities			
Cash received from disposal of fixed assets, intangible assets and other long-term assets		13,079,356	2,064,343,750
Cash received from disposal of investments		54,174,837,434	31,993,685,106
Cash received from returns on investments		184,977,958	428,054,981
Net proceeds from disposal of subsidiaries		619,610,070	870,200,928
Sub-total of cash inflows		<u>54,992,504,818</u>	<u>35,356,284,765</u>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(1,449,227,091)	(964,052,087)
Cash paid to acquire investments		(47,237,410,000)	(39,645,881,688)
Net cash paid to acquire subsidiaries and other business units		(968,400,001)	(274,412,820)
Sub-total of cash outflows		<u>(49,655,037,092)</u>	<u>(40,884,346,595)</u>
Net cash flows from/(used in) investing activities		<u>5,337,467,726</u>	<u>(5,528,061,830)</u>

PING AN INTERNATIONAL FINANCIAL LEASING CO., LTD.

CONSOLIDATED CASH FLOW STATEMENT (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB Yuan unless otherwise stated)
 [English translation for reference only]

Item	Note 7	2020	2019
3. Cash flows from financing activities			
Cash received from capital contributions		-	2,000,000,000
Cash received from issuance of bonds		42,938,389,263	43,328,195,848
Cash received from issuance of other equity instruments		5,094,400,000	4,279,500,000
Sub-total of cash inflows		<u>48,032,789,263</u>	<u>49,607,695,848</u>
Cash repayments of borrowings		(37,029,612,066)	(38,027,500,000)
Cash payments for profit distribution and interest expenses		(3,701,665,352)	(3,657,945,652)
Cash paid relating to lease liabilities		(109,691,161)	-
Sub-total of cash outflows		<u>(40,840,968,579)</u>	<u>(41,685,445,652)</u>
Net cash flows from financing activities		<u>7,191,820,684</u>	<u>7,922,250,196</u>
4. Effect of exchange rate changes on cash and cash equivalents		<u>(34,551,491)</u>	<u>(24,004,892)</u>
5. Net increase/(decrease) in cash and cash equivalents		5,392,729,590	(9,280,832,960)
Add: Cash and cash equivalents at the beginning of the year		<u>8,912,836,468</u>	<u>18,193,669,428</u>
6. Cash and cash equivalents at the end of the year	49	<u>14,305,566,058</u>	<u>8,912,836,468</u>

The accompanying notes form an integral part of these financial statements.

Legal representative: Principal in charge of accounting: Head of accounting department:

**COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

Item	Note 7	2020	2019
1. Cash flows from operating activities			
Cash received from finance lease interest, operating lease income, service fee income and other operating income		12,867,350,620	11,795,593,442
Cash received from borrowings		3,286,335,107	3,022,725,320
Cash received from recovery of bank deposits		-	287,494,999
Cash received relating to other operating activities		9,341,957,730	269,326,363
Sub-total of cash inflows		<u>25,495,643,457</u>	<u>15,375,140,124</u>
Net (increase)/decrease in cash paid for long-term receivables		(24,071,264,381)	2,412,776,285
Cash paid for finance lease deposits refund		(769,030,454)	(256,278,199)
Cash paid for interest expenses		(2,728,546,406)	(4,828,713,178)
Cash paid for bank deposits		(51,311,083)	-
Cash paid to and on behalf of employees		(1,104,289,664)	(923,750,899)
Payments for taxes and surcharges		(769,901,331)	(486,068,175)
Cash paid relating to other operating activities	49	<u>(2,351,559,452)</u>	<u>(18,962,338,459)</u>
Sub-total of cash outflows		<u>(31,845,902,771)</u>	<u>(23,044,372,625)</u>
Net cash flows used in operating activities	49	<u>(6,350,259,314)</u>	<u>(7,669,232,501)</u>
2. Cash flows from investing activities			
Cash received from disposal of fixed assets, intangible assets and other long-term assets		287,447	428,351
Cash received from disposal of investments		36,258,889,139	25,002,716,191
Cash received from returns on investments		194,921,190	323,253,082
Net cash received from disposal of subsidiaries and other business units		466,266,827	466,266,827
Sub-total of cash inflows		<u>36,920,364,603</u>	<u>25,792,664,451</u>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(144,679,774)	(33,169,611)
Cash paid to acquire investments		(30,716,410,000)	(31,200,348,519)
Net cash paid to acquire subsidiaries and other business units		(848,400,001)	(1,110,428,069)
Sub-total of cash outflows		<u>(31,709,489,775)</u>	<u>(32,343,946,199)</u>
Net cash flows from/(used in) investing activities		<u>5,210,874,828</u>	<u>(6,551,281,748)</u>

COMPANY CASH FLOW STATEMENT (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB Yuan unless otherwise stated)
 [English translation for reference only]

Item	Note 7	2020	2019
3. Cash flows from financing activities			
Cash received from capital contributions		-	2,000,000,000
Cash received from issuance of bonds		42,159,165,784	43,328,195,848
Cash received from issuance of other equity instruments		5,094,400,000	4,279,500,000
Sub-total of cash inflows		<u>47,253,565,784</u>	<u>49,607,695,848</u>
Cash repayments of borrowings		(37,021,520,124)	(38,027,500,000)
Cash payments for profit distribution and interest expenses		(3,701,665,352)	(3,508,366,810)
Cash paid relating to lease liabilities		(82,614,897)	-
Sub-total of cash outflows		<u>(40,805,800,373)</u>	<u>(41,535,866,810)</u>
Net cash flows from financing activities		<u>6,447,765,411</u>	<u>8,071,829,038</u>
4. Effect of exchange rate changes on cash and cash equivalents		<u>(348,339)</u>	<u>230,201</u>
5. Net increase/(decrease) in cash and cash equivalents		5,308,032,586	(6,148,455,010)
Add: Cash and cash equivalents at the beginning of the year		<u>5,795,008,270</u>	<u>11,943,463,280</u>
6. Cash and cash equivalents at the end of the year	49	<u>11,103,040,856</u>	<u>5,795,008,270</u>

The accompanying notes form an integral part of these financial statements.

Legal representative: Principal in charge of accounting: Head of accounting department:

PING AN INTERNATIONAL FINANCIAL LEASING CO., LTD.

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

	Note	Attributable to equity owners of the parent company						Total owners' equity
		Paid-in capital	Other equity instruments	Capital surplus	Surplus reserve	Other comprehensive income	Undistributed profits	
Balance at 31 December 2019		13,634,810,443	11,474,424,122	1,821,693,044	537,109,439	(167,289,713)	10,291,600,610	37,602,819,925
Changes in accounting policies	4(27)	-	-	-	-	-	(2,344,345)	(2,344,345)
Business combination involving enterprises under common control	8	-	-	-	-	-	(66,322)	(66,322)
Balance at 1 January 2020		13,634,810,443	11,474,424,122	1,821,693,044	537,109,439	(167,289,713)	10,289,189,943	37,600,409,258
Movements for the year ended 31 December 2020								
Total comprehensive income		-	-	-	-	-	-	-
Net profit	7(38)	-	-	-	-	-	3,853,275,488	3,846,313,975
Other comprehensive income	7(37)	-	-	-	-	219,901,335	-	219,901,335
Total comprehensive income for the year		-	-	-	-	219,901,335	3,853,275,488	4,066,215,310
Transfer from capital surplus to paid-in capital	1	603,180,823	-	(603,180,823)	-	-	-	-
Appropriation to surplus reserve	7(36)	-	-	-	195,889,256	-	(195,889,256)	-
Core employee stock ownership plan	7(35)	-	-	243,021	-	-	-	243,021
Long-term service plan	7(35)	-	-	(96,207,350)	-	-	-	(96,207,350)
Issuance of perpetual bonds	-	-	5,094,400,000	-	-	-	-	5,094,400,000
Repayment of perpetual bonds	-	-	(4,985,764,151)	(14,235,849)	-	-	-	(5,000,000,000)
Provision for dividends on perpetual bonds	-	-	628,083,452	-	-	-	(628,083,452)	-
Distribution of dividends on perpetual bonds	-	-	(604,328,410)	-	-	-	-	(604,328,410)
Business combination involving enterprises under common control	8	-	-	(10,000)	-	-	-	(10,000)
Effect of changes in other owners' equity in the investee under the equity method	7(12)	-	-	51,596,597	-	-	-	51,596,597
Balance at 31 December 2020		14,237,991,266	11,606,815,013	1,159,898,640	732,998,695	52,611,622	13,318,492,723	41,112,318,426

PING AN INTERNATIONAL FINANCIAL LEASING CO., LTD.

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

	Note	Attributable to equity owners of the parent company						Total owners' equity
		Paid-in capital	Other equity instruments	Capital surplus	Surplus reserve	Other comprehensive income	Undistributed profits	
Balance at 1 January 2019		12,251,700,410	9,036,387,714	1,084,819,351	420,028,990	(18,946,760)	6,465,850,937	29,239,840,642
Movements for the year ended 31 December 2019								
Total comprehensive income								
Net profit	7(38)	-	-	-	-	-	4,439,327,312	4,438,713,696
Other comprehensive income	7(37)	-	-	-	-	(148,342,953)	-	(148,342,953)
Total comprehensive income for the year		-	-	-	-	(148,342,953)	4,439,327,312	4,290,370,743
Capital contribution by shareholders		1,383,110,033	-	616,889,967	-	-	-	2,000,000,000
Appropriation to surplus reserve		-	-	-	117,080,449	-	(117,080,449)	-
Core employee stock ownership plan	7(36)	-	-	(1,400,820)	-	-	-	(1,400,820)
Long-term service plan	7(35)	-	-	(105,818,133)	-	-	-	(105,818,133)
Issuance of perpetual bonds		-	4,279,500,000	-	-	-	-	4,279,500,000
Repayment of perpetual bonds		-	(1,882,900,000)	(17,100,000)	-	-	-	(1,900,000,000)
Provision for dividends on perpetual bonds		-	496,497,190	-	-	-	(496,497,190)	-
Distribution of dividends on perpetual bonds		-	(455,060,782)	-	-	-	-	(455,060,782)
Transactions with minority shareholders		-	-	-	-	-	-	-
Effect of changes in other owners' equity in the investee under the equity method		-	-	-	-	-	11,085,596	11,085,596
	7(12)	-	-	244,302,679	-	-	-	244,302,679
Balance at 31 December 2019		13,634,810,443	11,474,424,122	1,821,693,044	537,109,439	(167,289,713)	10,291,600,610	37,602,819,925

The accompanying notes form an integral part of these financial statements.

Legal representative:

Principal in charge of accounting:

Head of accounting department:

PING AN INTERNATIONAL FINANCIAL LEASING CO., LTD.

COMPANY STATEMENT OF CHANGES IN OWNERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

	Note	Paid-in capital	Other equity instruments	Capital surplus	Surplus reserve	Other comprehensive income	Undistributed profits	Total owners' equity
Balance at 31 December 2019								
Changes in accounting policies	4(27)	13,634,810,443	11,474,424,122	1,846,396,327	537,109,439	(50,892,988)	3,718,495,099	31,160,342,442
Balance at 1 January 2020		13,634,810,443	11,474,424,122	1,846,396,327	537,109,439	(50,892,988)	(2,692,271)	(2,692,271)
							3,715,802,828	31,157,650,171
Movements for the year ended 31 December 2020								
Total comprehensive income								
Net profit	7(38)	-	-	-	-	-		
Other comprehensive income	7(37)	-	-	-	-	14,206,648	1,922,333,233	1,922,333,233
Total comprehensive income for the year		-	-	-	-	14,206,648	-	14,206,648
Transfer from capital surplus to paid-in capital	1	603,180,823	-	(603,180,823)	-	-	-	-
Appropriation to surplus reserve	7(36)	-	-	-	195,889,256	-	(195,889,256)	-
Core employee stock ownership plan	7(35)	-	-	243,021	-	-	-	243,021
Long-term service plan	7(35)	-	-	(67,575,161)	-	-	-	(67,575,161)
Issuance of perpetual bonds		-	5,094,400,000	-	-	-	-	5,094,400,000
Repayment of perpetual bonds		-	(4,985,764,151)	(14,235,849)	-	-	-	(5,000,000,000)
Provision for dividends on perpetual bonds		-	628,083,452	-	-	-	(628,083,452)	-
Distribution of dividends on perpetual bonds		-	(604,328,410)	-	-	-	-	(604,328,410)
Effect of changes in other owners' equity in the investee under the equity method	7(12)	-	-	51,596,597	-	-	-	51,596,597
Balance at 31 December 2020		14,237,991,266	11,606,815,013	1,213,244,112	732,998,695	(36,686,340)	4,814,163,353	32,568,526,099

PING AN INTERNATIONAL FINANCIAL LEASING CO., LTD.

COMPANY STATEMENT OF CHANGES IN OWNERS' EQUITY (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

	Note	Paid-in capital	Other equity instruments	Capital surplus	Surplus reserve	Other comprehensive income	Undistributed profits	Total owners' equity
Balance at 1 January 2019		12,251,700,410	9,036,387,714	1,084,854,125	420,028,990	(5,397,646)	3,161,268,248	25,948,841,841
Movements for the year ended 31 December 2019								
Total comprehensive income								
Net profit	7(38)	-	-	-	-	-	1,170,804,490	1,170,804,490
Other comprehensive income	7(37)	-	-	-	-	(45,495,342)	-	(45,495,342)
Total comprehensive income for the year								
Capital contribution by shareholders		1,383,110,033	-	616,889,967	-	(45,495,342)	1,170,804,490	1,125,309,148
Appropriation to surplus reserve	7(36)	-	-	-	-	-	-	2,000,000,000
Core employee stock ownership plan					117,080,449	-	(117,080,449)	-
Long-term service plan	7(35)	-	-	(1,400,820)	-	-	-	(1,400,820)
Issuance of perpetual bonds	7(35)	-	-	(81,149,624)	-	-	-	(81,149,624)
Repayment of perpetual bonds		-	4,279,500,000	-	-	-	-	4,279,500,000
Provision for dividends on perpetual bonds		-	(1,882,900,000)	(17,100,000)	-	-	-	(1,900,000,000)
Distribution of dividends on perpetual bonds		-	496,497,190	-	-	-	(496,497,190)	-
Effect of changes in other owners' equity in the investee under the equity method		-	(455,060,782)	-	-	-	-	(455,060,782)
	7(12)	-	-	244,302,679	-	-	-	244,302,679
Balance at 31 December 2019		13,634,810,443	11,474,424,122	1,846,396,327	537,109,439	(50,892,988)	3,718,495,099	31,160,342,442

The accompanying notes form an integral part of these financial statements.

Legal representative:

Principal in charge of accounting:

Head of accounting department:

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

1 Company background and principal activities

Ping An International Financial Leasing Co., Ltd. ("the Company") is a limited liability company (a Taiwan, Hong Kong or Macau and domestic joint venture) incorporated by Ping An Insurance (Group) Company of China, Ltd. ("Ping An Group") and China Ping An Insurance Overseas (Holding) Limited ("Ping An Overseas Holding") on 27 September 2012 in Shanghai, the People's Republic of China. The Company is approved for establishment by Shanghai Municipal Commission of Commerce with Hu Shang Wai Zi Pi (2012) No. 3280. The approved operating period is 30 years. The registered capital was RMB 315 million upon incorporation.

In April 2018, according to the resolution of the Board of Directors, the Company's registered capital was increased by approximately RMB 1.03 billion. The detail of this capital increase is that Ping An Group injected RMB 1.36 billion (approximately RMB 1.03 billion was included in registered capital and approximately RMB 330 million in capital surplus). In March 2019, the Company received a cash payment of RMB 1 billion from Ping An Overseas Holdings, among which RMB 730 million was included in paid-in capital and RMB 270 million was included in capital surplus. In June 2019, the Company received a cash payment of RMB 1 billion from Ping An Group, of which RMB 660 million was included in paid-in capital and RMB 340 million was included in capital surplus. In June 2020, according to the resolution of the Board of Directors, the Company transferred capital surplus of RMB 603 million to registered capital. As at 31 December 2020, the Company's registered capital amounted to RMB 14.5 billion and its paid-in capital was RMB 14.24 billion.

Ping An Group, as the Company's ultimate controlling shareholder, directly and indirectly holds 69.44% and 30.56% of equity interests in the Company respectively.

The approved business scope of the Company and its subsidiaries (hereinafter collectively referred to as "the Group") includes finance lease services; lease services; purchase of leased properties from home and abroad; selling off and repair of leased properties; consulting and guarantee of lease transactions; financing, sales sub-account management, accounts receivable collection and bad debts guarantee in relation to transferred accounts receivable; auto leases, investment and holding in aviation business; investment management and consulting; technological development, technological transfer, technological consulting and technological services in professional areas (communication technology, network technology and information technology); and other approved businesses.

These financial statements are authorised for issue by the Group's management on 25 February 2021.

2 Basis of preparation

The financial statements are prepared in accordance with the *Accounting Standards for Business Enterprises - Basic Standard*, the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereinafter collectively referred to as "the Accounting Standards for Business Enterprises" or "CASs").

The financial statements are prepared on a going concern basis.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

3 Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the consolidated and company financial position of the Group and the Company as at 31 December 2020 and their financial performance, cash flows and other information for the year then ended.

4 Summary of significant accounting policies and accounting estimates

(1) Accounting year

The Company's accounting year starts on 1 January and ends on 31 December.

(2) Recording currency

The recording currency of the Group is Renminbi ("RMB"). The recording currency of the Company's subsidiaries is determined based on the primary economic environment in which they operate. The financial statements are presented in RMB.

(3) Foreign currency translation

(a) Foreign currency transactions

Foreign currency transactions are translated into recording currency using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into recording currency using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(b) Translation of foreign currency financial statements

The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates on the balance sheet date. Among the owners' equity items, the items other than "undistributed profits" are translated at the spot exchange rates of the transaction dates. The income and expense items in the income statement of foreign operations are translated at the spot exchange rates of the transaction dates. The differences arising from the above translation are recognised in other comprehensive income. The cash flows of foreign operations are translated at the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(4) Business combinations

Business combinations involving enterprises under common control

The consideration paid and net assets obtained by the absorbing party in a business combination are measured at the carrying amount. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (share premium). If the capital surplus (share premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

Business combinations involving enterprises not under common control

The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date. Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill; where the combination cost is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(5) Consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries under control.

A subsidiary is an entity that can be controlled by the Group (including structured entity). Control exists when the investor has power over the investee, rights to variable returns from its involvement with the investee, and the ability to affect those returns via its power over the investee. Subsidiaries are consolidated from the date on which the Company obtains control and are de-consolidated from the date that such control ceases.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

Where the Company acts as an asset manager of structured entities, the Company will assess whether it is the agent or primarily responsible party of the structured entities. If the asset manager is just an agent, it does not control the structured entities for its acting on behalf of other parties (other investors of structured entities). However, if the asset manager is recognised to act on behalf of itself, it is the primarily responsible party who imposes controls on the structured entities.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(5) Consolidated financial statements (Cont'd)

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Company. For subsidiaries acquired from business combinations involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date. All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of subsidiaries' owners' equity and the portion of subsidiaries' net profits and losses and comprehensive incomes for the period not attributable to the Company are recognised as minority interests, net profit attributable to minority interests and total comprehensive incomes attributable to minority interests, and presented separately in the consolidated financial statements under owners' equity, net profit and total comprehensive income respectively. Unrealised profits and losses resulting from the sale of assets by the Company to its subsidiaries are fully eliminated against net profit attributable to owners of the parent. Unrealised profits and losses resulting from the sale of assets by a subsidiary to the Company are eliminated and allocated between net profit attributable to owners of the parent and net profit attributable to minority interests in accordance with the allocation proportion of the parent in the subsidiary. Unrealised profits and losses resulting from the sale of assets by one subsidiary to another are eliminated and allocated between net profit attributable to owners of the parent and net profit attributable to minority interests in accordance with the allocation proportion of the parent in the subsidiary.

If the accounting treatment of a transaction is inconsistent in the financial statements at the Group level and at the Company or its subsidiary level, adjustment will be made from the perspective of the Group.

For subsidiaries acquired from business combinations involving enterprises not under common control, the financial performance and cash flows of the acquiree are included in the consolidated financial statements from the date on which the Company obtains control and are de-consolidated from the date that such control ceases. The financial statements of subsidiaries are adjusted on the basis of the fair value of each identifiable asset, liability or contingent liability determined on the acquisition date when preparing the consolidated financial statements.

For a subsidiary that is acquired in a business combination involving enterprises under common control, the portion of the net profit realised before the combination date is presented separately in the consolidated income statement. In preparing the comparative consolidated financial statements, adjustments were made to relevant items in financial statements in previous periods as if the reporting entity formed after the consolidation had been in existence since the ultimate controlling party started to exercise effective control.

(6) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(7) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(7) Financial instruments (Cont'd)

(a) Financial assets

(i) Classification and measurement

Based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, financial assets are classified as: (1) financial assets at amortised cost; (2) financial assets at fair value through other comprehensive income; (3) financial assets at fair value through profit or loss.

For an investment in debt instruments, the classification is based on the business model and the characteristics of contractual cash flows of such investment. An investment that does not pass the test of cash flow characteristics will be directly classified as financial assets at fair value through profit or loss; while an investment that passes the test of cash flow characteristics will be classified on the basis of its business model; changes in fair value of investments in equity instruments are usually recognised into profit or loss, except for those designated at fair value through other comprehensive income.

The financial assets are measured at fair value at initial recognition. Related transaction costs that are attributable to the acquisition of the financial assets are included in the initially recognised amounts, except for the financial assets at fair value through profit or loss, the related transaction costs of which are recognised directly in profit or loss for the current period. Accounts receivable or notes receivable arising from sales of products or rendering of services (excluding or without regard to significant financing components) are initially recognised at the consideration that is entitled to be charged by the Group as expected.

Debt instruments

The debt instruments held by the Group refer to the instruments that meet the definition of financial liabilities from the perspective of the issuer, and are measured in the following three ways:

Measured at amortised cost:

The objective of the Group's business model is to hold the financial assets to collect the contractual cash flows, and the contractual cash flow characteristics are consistent with a basic lending arrangement, which gives rise on specified dates to the contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The interest income of such financial assets is recognised using the effective interest method. Such financial assets mainly comprise cash at bank and on hand, notes receivable, accounts receivable, other receivables and receivables for sale and leaseback of long-term receivables, etc.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(7) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(i) Classification and measurement (Cont'd)

Measured at fair value through other comprehensive income:

The objective of the Group's business model is to hold the financial assets to both collect the contractual cash flows and sell such financial assets, and the contractual cash flow characteristics are consistent with a basic lending arrangement. Such financial assets are measured at fair value through other comprehensive income, except for the impairment gains or losses, foreign exchange gains and losses, and interest income calculated using the effective interest method which are recognised in profit or loss for the current period.

Measured at fair value through profit or loss:

Debt instruments held by the Group that are not divided into those at amortised cost, or those measured at fair value through other comprehensive income, are measured at fair value through profit or loss and presented as financial assets held for trading or other non-current financial assets.

Equity instruments

Investments in equity instruments, over which the Group has no control, joint control or significant influence, are measured at fair value through profit or loss under financial assets held for trading or other non-current financial assets.

(ii) Impairment

Expected credit losses (ECLs) refer to the weighted average amount of credit losses of financial instruments of which the weight is the risk of default. Credit losses refer to the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive (i.e. the present value of all cash shortfalls).

For financial assets at amortised cost, finance lease receivables of long-term receivables, financing commitments, etc., the Group recognises the ECLs giving a consideration of reasonable and supportable information on past events, current conditions and forecasts of future economic conditions. Significant assumptions and judgements in the measurement of ECL are set out below:

- i) the parameters of ECL measurement: probability of default (PD), loss given default (LGD), exposure at default (EAD), etc.;
- ii) criteria involved in the judgement of significant changes in credit risk;
- iii) forward-looking information

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(7) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(ii) Impairment (Cont'd)

For financial instruments subject to the measurement of ECL, the Group assesses whether there is significant increase in credit risk or credit impairment occurs for relevant financial assets since initial recognition, establishes the “3 stages” impairment model of ECLs, and defines the different stages of each type of assets, except for accounts receivable and notes receivable for which lifetime ECLs are recognised. With the forward-looking information, the Group separately measures the loss provision, and recognises the ECL and changes accordingly for assets under different circumstances.

As at each balance sheet date, the ECL of financial instruments at different stages is measured respectively. 12-month ECL provision is recognised for financial instruments in Stage 1 that have not had a significant increase in credit risk since initial recognition; lifetime ECL provision is recognised for financial instruments in Stage 2 that have had a significant increase in credit risk yet without credit impairment since initial recognition; and lifetime ECL provision is recognised for financial instruments in Stage 3 that have had credit impairment. Purchased or originated credit-impaired financial assets refer to financial assets that are credit-impaired at initial recognition. The cumulative changes in lifetime ECLs are recognised as a loss provision for such assets since initial recognition.

For the financial assets in Stage 1 and Stage 2, the Group calculates the interest income by applying the effective interest rate to the gross carrying amount (before deduction of the loss provision). For the financial instrument in Stage 3, the interest income is calculated by applying the effective interest rate to the amortised cost (after deduction of the loss provision from the gross carrying amount).

The Group recognises the loss provision made or reversed into profit or loss for the current period.

The Group, on the basis of the exposure at default and the lifetime ECL rate, calculates the lifetime ECL of accounts receivable and notes receivable with consideration to historical credit losses experience, current conditions and forecasts of future economic conditions.

(iii) Derecognition

A financial asset is derecognised when any of the below criteria is met: (1) the contractual rights to receive the cash flows from the financial asset expire; (2) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; or (3) the financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(7) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(iii) Derecognition (Cont'd)

In certain transactions, when the Group retains the contractual rights to receive the cash flows, but assumes a contractual obligation to pay the cash flows to the eventual recipients, while has neither transferred nor retained substantially all risks and rewards of the ownership of the financial asset and retained control over the financial asset, the transferred asset shall be accounted for using the continuing involvement method, and is recognised based on the extent to which the asset is involved. Relevant liabilities are recognised accordingly to reflect the rights or obligations the Group has retained. If the transferred asset is measured at amortised cost, the net carrying amount of the transferred asset and relevant liabilities is equal to the amortised cost of retained rights or liabilities; if the transferred asset is measured at fair value, the net carrying amount of the transferred asset and relevant liabilities is equal to the fair value of retained rights or liabilities.

(b) Financial liabilities

Except for continuing involvement liabilities, financial liabilities are classified as financial liabilities at amortised cost and financial liabilities at fair value through profit or loss at initial recognition. The financial liabilities of the Group mainly comprise financial liabilities measured at amortised cost, including borrowings, bonds payable, notes payable, accounts payable, other payables, long-term payables, etc. Such financial liabilities are initially recognised at fair value, net of transaction costs incurred, and subsequently measured using the effective interest method. Interest expenses calculated using the effective interest method are presented in cost of sales.

A financial liability is derecognised or partly derecognised when the underlying present obligation is discharged or partly discharged. The difference between the carrying amount of the derecognised part of the financial liability and the consideration paid is recognised in profit or loss for the current period.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(7) Financial instruments (Cont'd)

(c) Derivatives and hedge accounting

Derivatives mainly include interest rate swaps, currency forwards and swaps. Derivatives are initially measured at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The method for recognising changes in fair value of derivatives depends on whether the derivative is designated as a hedging instrument and meets the requirement for it, and if so, the nature of the item being hedged. The Group designates certain derivatives as cash flow hedges for forecast transactions that are highly probable to occur.

The effective portion of changes in fair value of derivatives that are designated and qualified as cash flow hedge is recognised in other comprehensive income. Gains or losses arising from the ineffective portion are recognised in profit or loss.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, and are included in income or expenses arising from relevant hedged items.

When the hedging instrument expires, is sold or no longer meets the hedge accounting criteria, the amounts of gains or losses accumulated in equity will be retained in equity until the hedged item affects profit or loss upon which they are reclassified to profit or loss. When the forecast transaction is no longer expected to occur (e.g. the recognised hedged asset is sold), accumulative gains or losses recognised in other comprehensive income shall be reclassified to profit or loss immediately.

(d) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. During valuation, the Group adopts the valuation techniques applicable in the current situation and supported by adequate available data and other information, selects inputs with the same characteristics as those of assets or liabilities considered in relevant transactions of assets or liabilities by market participants, and gives priority to the use of relevant observable inputs. When relevant observable inputs are not available or feasible, unobservable inputs are adopted.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(8) Leases

New lease standard effective from 1 January 2020 is as follows:

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as the lessee

At the commencement date, the Group shall recognise the right-of-use asset and measure the lease liability at the present value of the lease payments that are not paid at that date. Lease payments include fixed payments, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease if the lessee exercises an option to terminate the lease.

The Group's right-of-use assets comprise leased buildings. Right-of-use assets are measured initially at cost which comprises the amount of the initial measurement of lease liabilities, any lease payments made at or before the commencement date and any initial direct costs, less any lease incentives received. If there is reasonable certainty that the Group will obtain ownership of the underlying asset by the end of the lease term, the asset is depreciated on a straight-line basis over its remaining useful life; otherwise the asset is depreciated on a straight-line basis over the shorter of the lease term and its remaining useful life. The carrying amount of the right-of-use assets is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 4(19)).

For short-term leases with a term of 12 months or less and leases of an individual asset (when new) of low value, the Group may, instead of recognising right-of-use assets and lease liabilities, include the lease payments in the profit or loss for the current period on a straight-line basis over the lease term.

Lease term refers to a non-cancellable period for which a lessee has the right to use a lease asset. If a lessee has the right to extend a lease, and is reasonably certain to exercise the option, the lease term also includes the period covered by the option to extend the lease. If a lessee has the right to terminate a lease, and is reasonably certain not to exercise the option, the lease term also includes the period covered by the option to terminate the lease. A lessee shall reassess whether it is reasonably certain to exercise an extension option, a purchase option, or not to exercise a termination option upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the lessee is reasonably certain to exercise an option.

The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. The interest rate implicit in the lease is the rate that causes the present value of the lessor's lease receivable and unguaranteed residual value to equal the sum of the fair value of the underlying asset and any initial direct costs of the lessor. Lessee's incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(8) Leases (Cont'd)

New lease standard effective from 1 January 2020 is as follows (Cont'd):

The Group as the lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. An operating lease is a lease other than a finance lease.

(a) Operating leases

When the Group is the lessor in an operating lease, the leased assets continue to be recognised as the Group's assets. Rental income from an operating lease is recognised on a straight-line basis over each period during the lease term in profit or loss for the current period. Variable lease payments not included in the lease receivables are recognised in profit or loss for the periods in which they are incurred. Initial direct costs related to operating leases are capitalised when incurred and recognised in profit or loss over the lease term on the same basis as rental income is recognised.

The Group has no rental waivers as a result of COVID-19 and for the period ended 30 June 2021 only. For deferred payments as a result of COVID-19 and for the period ended 30 June 2021 only, the Group applies the practical expedient by recognising deferred amounts in long-term receivables during the deferral period and offsetting long-term receivables upon the actual receipt of such amounts.

(b) Finance leases

As the lessor of finance leases, the Group recognises the finance lease receivables and derecognises relevant assets at the commencement date. Finance lease receivables shall be recorded at the net investment cost for initial measurement. Net investment cost is the total present value of unguaranteed residual value and the lease payments receivable at the commencement date discounted at the interest rate implicit in the lease. The interest rate implicit in the lease is the rate that causes the present value of the lessor's lease receivable and unguaranteed residual value to equal the sum of the fair value of the underlying asset and any initial direct costs of the lessor.

Accounting policies of impairment of financial assets are applicable to impairment related to lease receivables (see Note 4(7)(a)(ii)).

Accounting policies of derecognition of financial assets are applicable to derecognition related to lease receivables (see Note 4(7)(a)(iii)).

A lessor shall recognise interest income over the lease term based on a constant periodic interest rate. Variable lease payments not included in the measurement of net investment cost are recognised in profit or loss for the current period in when incurred.

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4 Summary of significant accounting policies and accounting estimates (Cont'd)

(8) Leases (Cont'd)

New lease standard effective from 1 January 2020 is as follows (Cont'd):

(c) Sale and leaseback

Sale and leaseback transactions are transactions where the seller (lessee) transfers an asset to the buyer (lessor) and leases that asset back from the buyer (lessor). For sale and leaseback transactions where the transfer of the asset is a sale, the lessor shall account for the purchase of the asset applying applicable accounting standards, and for the leased asset applying the lease standard. For sale and leaseback transactions where the transfer of the asset is not a sale, the lessor shall not recognise the transferred asset and shall recognise a financial asset equal to the transfer proceeds and account for such financial assets in accordance with accounting policies as stated in Note 4(7)(a). According to the transition provisions under the new lease standard, classification and measurement of sales and leaseback transactions entered into before 1 January 2020 remain unchanged.

Old lease standard applicable in comparative period is as follows:

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease. Lease payments under an operating lease are recognised on a straight-line basis over the period of the lease, and are either capitalised as part of the cost of related assets, or charged as an expense for the current period.

The Group shall fully consider all factors while actually classifying the leases, such as whether the ownership of the leased asset is transferred to the lessee when the term of lease expires, whether the lessee has the option to buy the leased asset, and the proportion of the lease term to the remaining use life of the leased asset. In accordance with the Accounting Standards for Business Enterprises, where a lease satisfies one or more of the following criteria, it shall be recognised as a finance lease:

- The ownership of the leased asset is transferred to the lessee when the term of lease expires;
- The lessee has the option to buy the leased asset at a price which is expected to be far lower than the fair value of the leased asset at the date when the option becomes exercisable. Thus, on the lease inception date, it can be reasonably determined that the option will be exercised by the lessee;
- The lease term covers the major part of the useful life of the leased asset even if the ownership of the leased asset is not transferred
- In the case of the lessee, the present value of the minimum lease payments on the lease inception date is approximately equivalent to the fair value of the leased asset on the lease inception date; in the case of the lessor, the present value of the minimum lease receipts on the lease inception date is approximately equivalent to the fair value of the leased asset on the lease inception date; and
- The leased asset is of a specialised nature that only the lessee can use it without making major modifications.

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4 Summary of significant accounting policies and accounting estimates (Cont'd)

(8) Leases (Cont'd)

Old lease standard applicable in comparative period is as follows (Cont'd):

(a) Recording of operating lease by the Group as the lessee

Lease payments under an operating lease are recognised on a straight-line basis over the period of the lease, and are either capitalised as part of the cost of related assets, or charged as an expense for the current period.

(b) Recording of operating lease by the Group as the lessor

Accounting policies for operating leases are as stated in Note 4(8) new lease standard (a).

(c) Recording of finance lease by the Group as the lessor

On the lease inception date, the Group recognises finance lease receivables at the minimum lease receipts on the lease inception date, and records unguaranteed residual value at the same time. The difference between the aggregate of the minimum lease receipts and unguaranteed residual value and the sum of their present value is recognised as unrealised financing income.

The unrealised financing income is allocated to each period of the lease term using the effective interest method.

Finance lease receivables are derecognised when the rights to receive the cash from the finance lease receivables have expired or have been transferred, and all substantial risks and rewards regarding the lease have been transferred.

The Group periodically reviews the unguaranteed residual value. If there is evidence of a reduction in the unguaranteed residual value, the interest rate implicit in the lease will be re-calculated and the financing income will be reallocated during the lease period accordingly.

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4 Summary of significant accounting policies and accounting estimates (Cont'd)

(9) Equity instruments

An equity instrument is a contract that represents a residual interest in the assets of an entity after deducting all of its liabilities.

Certain perpetual bonds issued by the Group do not contain any contractual obligation to deliver cash or other financial assets to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group; and there is no arrangement under which the perpetual bonds have to or may be settled in the Group's own equity instruments. The Group classifies them as equity instruments.

(10) Inventories

Inventories include raw materials and goods in stock, and are measured at the lower of cost and net realisable value.

Provision for decline in the value of inventories is determined at the excess amount of the carrying amount of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale and related taxes.

(11) Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, and the Group's long-term equity investments in its joint ventures and associates.

(a) Subsidiaries

Subsidiaries are the investees over which the Company is able to exercise control. Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted to the equity method when preparing the consolidated financial statements.

Long-term equity investments accounted for using the cost method are measured at initial investment cost. Cash dividends or profit distributions declared by the investees are recognised as investment income in profit or loss.

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4 Summary of significant accounting policies and accounting estimates (Cont'd)

(11) Long-term equity investments (Cont'd)

(b) Joint ventures and associates

A joint venture is a joint arrangement which is structured through a separate vehicle over which the Group has joint control together with other parties and only has rights to the net assets of the arrangement based on legal forms, contractual terms and other facts and circumstances; An associate is the investee over which the Group has significant influence on its financial and operating policy decisions.

Investments in joint ventures and associates are accounted for using the equity method. Where the initial investment cost exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the investment is initially measured at that cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is included in profit or loss for the current period and the cost of the long-term equity investment is adjusted upwards accordingly.

Under the equity method of accounting, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group does not recognise further losses when the carrying amounts of the long-term equity investment together with any long-term interests that, in substance, form part of the Group's net investment in investees are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions are satisfied, the Group continues recognising the investment losses and the provisions at the amount it expects to undertake. The Group's share of the changes in investee's owners' equity other than those arising from the net profit or loss, other comprehensive income and profit distribution is recognised in capital surplus with a corresponding adjustment to the carrying amounts of the long-term equity investment. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by the investees. Unrealised gains or losses on transactions between the Group and its investees are eliminated to the extent of the Group's equity interest in the investees, based on which the investment income or losses are recognised. Any losses resulting from transactions between the Group and its investees, which are attributable to asset impairment losses are not eliminated.

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4 Summary of significant accounting policies and accounting estimates (Cont'd)
(12) Investment properties

Investment properties refer to the buildings that the Company leases to its subsidiaries, and are measured initially at cost. Subsequent expenditures incurred in relation to an investment property are included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Company and their costs can be reliably measured; otherwise, the expenditures are recognised in profit or loss in the period in which they are incurred.

Investment properties are subsequently measured using the cost model and depreciated on a straight-line basis. The estimated useful lives, the estimated net residual values that are expressed as a percentage of cost and the annual depreciation rates of investment properties are as follows:

	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Buildings	40 years	10%	2.25%

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property after its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(13) Fixed assets

Fixed assets comprise machinery and office equipment, motor vehicles, aircraft and buildings. Fixed assets purchased or constructed are initially measured at cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated net residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated net residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are as follows:

	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Machinery and office equipment	5 years	5%	19.00%
Motor vehicles	4 years	5%	23.75%
Aircraft	25 years	15%	3.40%
Buildings	40 years	10%	2.25%

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4 Summary of significant accounting policies and accounting estimates (Cont'd)

(13) Fixed assets (Cont'd)

The estimated useful life and the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at each year-end.

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(14) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction cost, installation cost, and other expenditures necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month.

(15) Intangible assets

Intangible assets are purchased computer software. They are measured at cost and amortised on the straight-line basis over their estimated useful lives of 3 years.

(16) Research and development

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at the end of the project.

Expenditure on the research phase is recognised in profit or loss in the period in which it is incurred. Expenditure on the development phase is capitalised only if all of the following conditions are satisfied:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset, and use or sell it;
- it can be demonstrated how the intangible asset will generate economic benefits;
- there are adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development phase can be reliably measured.

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development costs previously recognised as expenses are not recognised as an intangible asset in a subsequent period. Capitalised expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date that the asset is ready for its intended use.

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4 Summary of significant accounting policies and accounting estimates (Cont'd)

(17) Goodwill

Goodwill is recognised at the excess of the cost of a business combination involving enterprises not under common control over the interest in the fair value of the acquirees' identifiable net assets acquired in the business combination as at the acquisition date.

(18) Long-term prepaid expenses

Long-term prepaid expenses include the expenditure for improvements to fixed assets held under operating leases, and other expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

(19) Impairment of long-term assets

Fixed assets, construction in progress, right-of-use assets, intangible assets with finite useful lives, investment properties measured using the cost model and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill that is separately presented in the financial statements is tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. In conducting the test, the carrying amount of goodwill is allocated to the related asset groups or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or a group of asset groups, including the allocated goodwill, is lower than its carrying amount, the corresponding impairment loss is recognised. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset group or group of asset groups in proportion to the carrying amounts of assets other than goodwill.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

(20) Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Group in exchange for service rendered by employees or for termination of employment relationship, which include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

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4 Summary of significant accounting policies and accounting estimates (Cont'd)

(20) Employee benefits (Cont'd)

(a) Short-term employee benefits

Short-term employee benefits include wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs, short-term paid absences, etc. The short-term employee benefits actually occurred are recognised as a liability in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period. Non-monetary benefits are measured at fair value.

(b) Post-employment benefits

The Group classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, the Group's post-employment benefits mainly include the premiums or contributions on basic pensions and unemployment insurance, both of which belong to defined contribution plans.

The Group's employees participate in the basic pension plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the basic pensions are calculated according to the bases and percentages prescribed by the relevant local authorities. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period.

(c) Termination benefits

The Group provides compensation for terminating the employment relationship with employees before the end of the employment contracts or as an offer to encourage employees to accept voluntary redundancy before the end of the employment contracts. The Group recognises a liability arising from compensation for termination of the employment relationship with employees, with a corresponding charge to profit or loss for the current period at the earlier of the following dates: 1) when the Group cannot unilaterally withdraw an employment termination plan or a curtailment proposal; 2) when the Group recognises costs or expenses for a restructuring that involves the payment of termination benefits.

The termination benefits expected to be paid within one year since the balance sheet date are classified as employee benefits payable. Long-term employee benefits payable is classified as other non-current liabilities.

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4 Summary of significant accounting policies and accounting estimates (Cont'd)

(20) Employee benefits (Cont'd)

(d) Share-based payment

Equity-settled share-based payment transactions

The Group operates an equity-settled and share-based compensation plan, under which the Group's ultimate controlling parent company grants options of its equity instruments to the Group's employees and the Group receives services from employees as consideration for the equity instruments. On the grant date, the payment of the options to the ultimate controlling parent company is made by the Group and is recognised in equity.

Based on the best estimation over the number of exercisable equity instruments, the Group records the services received in the current period in relevant expenses at the fair value of equity instruments on the grant date. The fair value of equity instruments at grant date:

- includes the impact of any market performance conditions (for example, an entity's share price);
- excludes the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and employee retention within a specified period of time); and
- includes the impact of any non-exercisable conditions (for example, the requirement for employees to save).

In estimating the number of exercisable options, the Group also takes non-market performance and service vesting conditions into consideration. The total amount of cost and expenses is recognised during the vesting period. Vesting period refers to the period in which all specified vesting conditions will be satisfied.

At the end of each reporting period, the Group revises its estimation on the number of options expected to be exercisable based on the non-marketing performance and service vesting conditions. Also, it recognises the impact of the revision, if any, in the income statement, with a corresponding adjustment to equity.

The ultimate holding parent company settles with employees of the Group upon exercising of equity instruments.

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4 Summary of significant accounting policies and accounting estimates (Cont'd)

(21) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, associates and joint ventures will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

Deferred tax assets and liabilities are offset when:

- the deferred tax assets and liabilities are related to the same taxpayer within the Group and the same taxation authority; and,
- that tax payer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

(22) Revenue recognition

Revenue mainly comprises rental income, interest income, revenue from sales of goods and rendering of services.

(a) Rental income

Rental income under an operating lease is recognised on a straight-line basis over the lease term.

Income from a finance lease is recognised based on a constant periodic interest rate over each period of the lease term.

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4 Summary of significant accounting policies and accounting estimates (Cont'd)

(22) Revenue recognition (Cont'd)

(b) Revenue from rendering of services and sales of goods

Revenue is recognised when the Group fulfils the contract performance obligation and the customer obtains the control over relevant goods or services. Goods or services are transferred when the customer obtains control of the goods or services. Control of the goods or services refers to the ability to direct the use of or the provision of, and obtain substantially all of the remaining benefits from the goods or services.

The Group renders lease services, entrusted loan services and factoring services to other companies. Service revenue is measured at the transaction price allocated to each individual contract performance obligation. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for provision of consulting services to a customer. The Group determines transaction prices based on contract terms with its conventions. Meanwhile, the Group also takes into account factors such as variable consideration, significant financing components in the contracts, non-cash consideration, and consideration payable to customers. The amount with unconditional collection right obtained by the Group is recognised as accounts receivable, long-term receivables, other receivables, etc. as appropriate and relevant ECL provision is made accordingly (see Note 4(7)(a)(ii)). If the contract price received or receivable exceeds the amount for the completed services, the excess portion will be recognised as contract liabilities. Contract assets and contract liabilities under the same contract are presented on a net basis.

Revenue from sales of goods is measured at the transaction price allocated to each individual contract performance obligation. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring goods to a customer.

(c) Interest income

Interest income mainly represents interests arising from entrusted loans, factoring receivables, receivables for sale and leaseback and bank deposits. Interest income is calculated by applying the effective interest rate to the carrying amount of the financial asset, except for:

- (i) For an originated or purchased credit impaired financial asset, the interest income is calculated at the amortised cost of the asset multiplied by the credit-adjusted original effective interest rate.
- (ii) For a financial asset that is not an originated or purchased credit-impaired financial asset, but subsequently suffering from credit impairment (i.e., "Stage 3"), the interest income is calculated at the amortised cost (i.e., carrying amount net of the provision for credit impairment) multiplied by the effective interest rate.

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4 Summary of significant accounting policies and accounting estimates (Cont'd)

(23) Government grants

Government grants refer to the monetary or non-monetary assets obtained by the Group from the government, including tax return, financial subsidy, etc.

Government grants are recognised when the grants can be received and the Group can comply with all attached conditions. If a government grant is a monetary asset, it will be measured at the amount received or receivable. If a government grant is a non-monetary asset, it will be measured at its fair value. If it is unable to obtain its fair value reliably, it will be measured at its nominal amount.

Government grants related to assets refer to government grants which are obtained by the Group for the purposes of purchase, construction or acquisition of the long-term assets. Government grants related to income refer to the government grants other than those related to assets.

Government grants related to assets are either deducted against the carrying amount of the assets, or recorded as deferred income and recognised in profit or loss on a systematic basis over the useful lives of the assets. Government grants related to income that compensate the future costs, expenses or losses are recorded as deferred income and recognised in profit or loss, or deducted against related costs, expenses or losses in reporting the related expenses; government grants related to income that compensate the incurred costs, expenses or losses are recognised in profit or loss, or deducted against related costs, expenses or losses directly in the current period. The Group applies the presentation method consistently to the similar government grants in the financial statements.

Government grants that are related to ordinary activities are included in operating profit, otherwise, they are recorded in non-operating income or expenses.

(24) Profit distribution

Proposed profit distribution is recognised as a liability in the period in which it is approved by the Board of Directors.

(25) Segment information

The Group identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. Two or more operating segments that have similar economic characteristics and satisfy certain conditions can be aggregated into one single operating segment.

In 2020, the Group's principal activity is leasing business, which is managed as one segment. Therefore, no segment information is disclosed.

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4 Summary of significant accounting policies and accounting estimates (Cont'd)

(26) Critical accounting estimates and judgements

The Group continually evaluates the critical accounting estimates and key judgements applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

(a) Measurement of ECL

For financial assets measured at amortised cost, finance lease receivables and finance lease commitments, the measurement of ECL involves complex models and a large number of assumptions. These models and assumptions involve future macro-economic conditions and the credit behaviours of the borrowers. The parameters, assumptions and valuation techniques used in the measurement of ECLs are detailed, and the sensitivity of the ECL to changes in such factors is disclosed in "Credit risk" in Note 12 "Financial risk management".

It requires a lot of significant judgements to measure ECLs under relevant accounting standards, such as:

- ▶ judgement on criteria for significant increase in credit risk;
- ▶ selection of appropriate models and assumptions for measuring ECL;
- ▶ forward-looking information.

(b) Fair value of financial instruments

The Group uses valuation models to calculate the fair value of financial instruments that are not quoted in an active market. Valuation models include discounted cash flow model, etc. In practice, observable data shall be used in the discounted cash flow model as much as possible, but management still needs to make estimates on factors such as the credit risk of transacting parties, market volatility and correlation. Changes in above factors will impact the valuation of fair value of financial instruments. Please refer to Note 12(5).

(c) Income tax

There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is required from the Group in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The estimation on deferred tax assets requires an estimation on taxable income and applicable tax rate of the future years; the realisation of deferred tax assets depends on whether the Group can possibly obtain sufficient taxable income in the future years.

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4 Summary of significant accounting policies and accounting estimates (Cont'd)

(26) Critical accounting estimates and judgements (Cont'd)

(d) Derecognition of a financial asset

The nature of transfer of financial assets is asset-backed securitisation. In determining whether transfer of financial assets complies with derecognition criteria, the Group needs to assess whether the right to receive the cash flows from the financial asset has been transferred to another party or contractual cash flows have been transferred to another party under the “pass-through” requirements, to what extent the risks and rewards of ownership of the financial asset were transferred and whether it abandons control of the transferred financial asset.

(e) Consolidation of structured entities

For structured entities managed or invested by the Group, the Group will assess whether it is the agent or primarily responsible party of the structured entities. During the evaluation, the Group considers many factors and re-evaluate regularly to assess whether it takes the role as the principal or agent, such as: the scope of asset manager’s decision-making power, rights held by other parties, salary levels as management service provider, and any other arrangements (such as direct investment) which could affect the exposure to variable returns from its involvement.

(27) Significant changes in accounting policies

Leases

The Ministry of Finance released the revised *CAS 21 - Leases* (hereinafter “new leases standard”) in 2018. According to relevant regulations, the Group and the Company initially adopted the new leases standard on 1 January 2020, recognised the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings in 2020 and other relevant line items in the financial statements. The comparatives for the year ended 31 December 2019 were not restated.

(i) The nature and the reasons of the changes in accounting policies

As the lessee, for the operating lease that have already existed prior to the initial application of the new lease standard, the Group and the Company adopted different transition approaches based on the remaining lease term:

If the remaining lease term was more than one year, the Group and the Company recognised lease liabilities based on the remaining lease payments and the incremental borrowing rate as at 1 January 2020, and assumed that the new lease standard was adopted from the commencement date of the lease term, and determined the carrying amount of the right-of-use assets based on the incremental borrowing rate as at 1 January 2020.

The Group and the Company applied the practical expedient for leases with a remaining term less than one year, under which the right-of-use assets and lease liabilities were not recognised.

The Group and the Company applied the practical expedient for operating leases of low-value assets existing prior to the initial application of the new lease standard, under which the right-of-use assets and lease liabilities were not recognised.

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4 Summary of significant accounting policies and accounting estimates (Cont'd)
(27) Significant changes in accounting policies (Cont'd)
Leases (Cont'd)

	The amounts affected	
	1 January 2020	
	The Group	The Company
The line items affected		
Right-of-use assets	155,476,201	111,014,331
Lease liabilities	157,820,546	113,706,602
Undistributed profits	(2,344,345)	(2,692,271)

As at 1 January 2020, the Group and the Company adopted the same discount rate for lease contracts with similar characteristics to account for lease liabilities. The weighted average of incremental borrowing rates adopted was 5.38%.

- (ii) As at 1 January 2020, the Group and the Company reconciled the outstanding minimum operating lease payments disclosed under the old lease standard to lease liabilities under the new lease standard as follows:

	The Group	The Company
Future minimum operating lease payments disclosed as at 31 December 2019	176,579,380	125,051,305
Present value of the above minimum operating lease payments discounted using the incremental borrowing rate	162,573,200	115,979,721
Less: Present value of payments for leases with a term of 12 months or less	(4,752,654)	(2,273,119)
Lease liabilities recognised as at 1 January 2020 (including current portion of non-current liabilities)	157,820,546	113,706,602

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5 Taxation

The main categories and rates of taxes applicable to the Group are set out below:

Category	Tax rate	Tax base
Enterprise income tax (a)	25%/20%/16.5%/0%	Taxable income
Value-added tax ("VAT") (b)	17%/16%/13%/10%/9%/6%	Taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of the current period)
City maintenance and construction tax	7%/5%	The payment amount of VAT

- (a) (i) Except for the enterprise income tax rate of 20% applicable to subsidiaries entitled to preferential tax treatment, the Company and its domestic subsidiaries are subject to enterprise income tax at the applicable tax rate of 25%; the Company's overseas subsidiaries make tax declaration according to the applicable tax laws and regulations in the places where they are located. Specifically,

the Company's subsidiaries incorporated in Hong Kong Special Administrative Region (HKSAR) (Note 6) are subject to Hong Kong profit tax at the applicable tax rate of 16.5%;

the Company's subsidiaries incorporated in the British Virgin Islands (Note 6) are subject to the enterprise income tax of the British Virgin Islands at the applicable tax rate of 0%.

(ii) Pursuant to the *Circular on Enterprise Income Tax Policy concerning Deductions for Equipment and Appliances* (Cai Shui [2018] No. 54) issued by the State Taxation Administration, during the period from 1 January 2018 to 31 December 2020, the cost of newly purchased equipment with the original cost less than RMB 5 million can be fully deducted against taxable profit in the next month after the asset is put into use, instead of being depreciated annually for tax filing.

- (b) Pursuant to the *Announcement on Relevant Policies for Deepening the Value-added Tax Reform* issued by the Ministry of Finance, the State Taxation Administration and the General Administration of Customs (Announcement [2019] No. 39 of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs), the Company, as a modern service enterprise, is allowed to credit the amount of input tax deductible in the current period plus 10% thereof against the VAT payable from 1 April 2019 to 31 December 2021.

Interest income arising from financing leaseback contracts for tangible and movable properties, factoring contracts and entrusted loan contracts entered into by the Group is subject to VAT at the applicable tax rate of 6%.

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6

Subsidiaries

Subsidiaries included in the consolidation scope as at 31 December 2020:

	Place of registration	Major business location	Nature of business	Shareholding (%) (Note 1)		Voting rights (%) (Note 1)	Method of acquisition
				Direct	Indirect		
Ping An Commercial Factoring Co., Ltd.	Shanghai	Shanghai	Factoring services	100%	-	100%	Established
Ping An International Finance Co., Ltd.	BVI	BVI	Import of leased equipment	100%	-	100%	Established
Gold One Investments Limited	BVI	BVI	Aircraft leases	-	100%	100%	Acquired
Ping An Haoyi Investment Management Co., Ltd.	Shanghai	Shanghai	Investment management	100%	-	100%	Established
Nanchang Ping An Haoyi Medical Imaging Centre Co., Ltd.	Nanchang	Nanchang	Imaging Centre	-	100%	100%	Established
Ping An International Financial Leasing (Tianjin) Co., Ltd.	Tianjin	Tianjin	Finance leases	50%	50%	100%	Established
Ping An International Financial Leasing (Shenzhen) Co., Ltd.	Shenzhen	Shenzhen	Finance leases	75%	25%	100%	Established
Ping An Wangying Communication Technology Co., Ltd.	Shanghai	Shanghai	Technology development and consulting	100%	-	100%	Established
Nanchang Wangying Industrial Development Co., Ltd.	Nanchang	Nanchang	Domestic trade, self-owned properties	-	100%	100%	Established
Ping An Cheguanjia Auto Lease Company	Tianjin	Tianjin	Auto leases	100%	-	100%	Established
Ping An Aviation Capital Company Limited	Hong Kong	Hong Kong	Investment management	100%	-	100%	Established
Ping An Leasing Hong Kong Holdings Limited	Hong Kong	Hong Kong	Investment holding	100%	-	100%	Established
Wuhan Ping An Haoyi Medical Imaging Diagnoses Centre Co., Ltd.	Wuhan	Wuhan	Imaging Centre	-	100%	100%	Established
Xiangyang Ping An Haoyi Medical Imaging Co., Ltd.	Xiangyang	Xiangyang	Imaging Centre	-	100%	100%	Established
Chongqing Ping An Haoyi Jingwei Polyclinic Co., Ltd.	Chongqing	Chongqing	Health examination	-	100%	100%	Established
Guangzhou Ping An Haoyi Medical Imaging Diagnoses Co., Ltd.	Guangzhou	Guangzhou	Imaging Centre	-	100%	100%	Established
Ping An Haoyi (Tianjin) Medical Imaging Co., Ltd.	Tianjin	Tianjin	Imaging Centre	-	100%	100%	Established
Ping An Haoyi Chongqing Medical Imaging Centre Co., Ltd.	Chongqing	Chongqing	Imaging Centre	-	100%	100%	Established
Nanchang Ping An Haoyi Health Examination Centre Co., Ltd.	Nanchang	Nanchang	Health examination	-	100%	100%	Established
Ping An Haoyi (Wuhan) Polyclinic Co., Ltd.	Wuhan	Wuhan	Health examination	-	100%	100%	Established

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Subsidiaries (Cont'd)

Subsidiaries included in the consolidation scope as at 31 December 2020 (Cont'd):

	Place of registration	Major business location	Nature of business	Shareholding (%) (Note 1)		Voting rights (%) (Note 1)	Method of acquisition
				Direct	Indirect		
Hefei Ping An Haoyi Medical Imaging Centre Co., Ltd.	Hefei	Hefei	Imaging Centre	-	100%	100%	Established
Ping An Haoyi Xiangyang Polyclinic Co., Ltd.	Xiangyang	Xiangyang	Health examination	-	100%	100%	Established
Hefei Ping An Haoyi Hospital Co., Ltd.	Hefei	Hefei	Health examination	-	100%	100%	Established
Nanchang Ping An Haoyi Polyclinic Co., Ltd.	Nanchang	Nanchang	Health examination	-	100%	100%	Established
Chengdu Ping An Haoyi Medical Imaging Diagnoses Co., Ltd.	Chengdu	Chengdu	Imaging Centre	-	100%	100%	Established
Guangzhou Ping An Haoyi Health Examination Centre Co., Ltd.	Guangzhou	Guangzhou	Health examination	-	100%	100%	Established
Shenyang Ping An Haoyi Medical Imaging Diagnoses Centre Co., Ltd.	Shenyang	Shenyang	Imaging Centre	-	100%	100%	Established
Shenyang Heping Ping An Haoyi Polyclinic Co., Ltd.	Shenyang	Shenyang	Health examination	-	100%	100%	Established
Xiamen Ping An Haoyi Medical Imaging Diagnoses Centre Co., Ltd.	Xiamen	Xiamen	Imaging Centre	-	80%	80%	Acquired
Xiamen Ping An Haoyi Polyclinic Co., Ltd.	Xiamen	Xiamen	Health examination	-	80%	80%	Acquired
Shanghai Ping An Haoyi Medical Imaging Diagnoses Centre Co., Ltd.	Shanghai	Shanghai	Imaging Centre	-	100%	100%	Established
Shanghai Ping An Haoyi Polyclinic Co., Ltd.	Shanghai	Shanghai	Health examination	-	100%	100%	Established
			Value-added telecommunications services				
Shanghai Xiaohong Network Technology Co., Ltd. (Note 2)	Shanghai	Shanghai			100%	100%	Acquired

Note 1: The shareholding percentage is the sum of the direct shareholding and indirect shareholding percentages calculated by multiplying the shareholding percentage of each layer; the percentage of voting rights is the sum of the percentage directly held by the Group and that indirectly held through investees controlled by the Group.

Note 2: On 29 May 2020, Ping An Wangying Communication Technology Co., Ltd., a subsidiary of Ping An Financial Leasing, acquired 100% of the equity interests in Shanghai Xiaohong Network Technology Co., Ltd. from Shanghai Haoyicai Network Technology Co., Ltd. (see Note 8).

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7 Notes to the consolidated financial statements
(1) Cash at bank and on hand

	The Group		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Cash at bank	13,805,666,058	8,912,836,468	10,603,140,856	5,795,008,270
Other cash balances	1,021,279,680	1,468,439,264	903,802,239	852,491,156
	<u>14,826,945,738</u>	<u>10,381,275,732</u>	<u>11,506,943,095</u>	<u>6,647,499,426</u>

As at 31 December 2020 and 31 December 2019, other cash balances were deposits for the Group and the Company's short-term borrowings, and bank acceptance notes and letter of guarantee.

(2) Financial assets held for trading

	The Group		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Funds (Note 9(1)(b))	2,585,428,920	5,658,091,489	2,536,373,468	4,753,978,974
Wealth management products investments (Note 9(1)(b))	505,609,310	1,708,411,647	500,000,000	1,762,524,162
Other investments	400,119,178	2,000,267,123	400,119,178	1,500,267,123
Trust investments (Note 9(1)(b))	394,194,598	122,669,115	394,194,598	122,669,115
	<u>3,885,352,006</u>	<u>9,489,439,374</u>	<u>3,830,687,244</u>	<u>8,139,439,374</u>

(3) Financial assets held under resale agreements

	The Group		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Bonds	<u>499,900,000</u>	<u>-</u>	<u>499,900,000</u>	<u>-</u>

(4) Notes receivable

	The Group		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Bank acceptance notes	<u>583,959,505</u>	<u>795,118,981</u>	<u>582,989,498</u>	<u>772,663,059</u>

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7 Notes to the consolidated financial statements (Cont'd)

(5) Accounts receivable

	The Group		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Accounts receivable from health examination	17,761,694	19,831,160	-	-
Accounts receivable from imaging	25,551,365	6,945,605	-	-
Accounts receivable from polyclinic	4,742	5,187	-	-
Less: Provision for impairment loss	(191,163)	-	-	-
	<u>43,126,638</u>	<u>26,781,952</u>	<u>-</u>	<u>-</u>

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NOTES TO THE FINANCIAL STATEMENTS
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7 Notes to the consolidated financial statements (Cont'd)

(6) Derivative financial instruments

	Hedging instruments		Non-hedging instruments		Total	
	Nominal amount	Fair value	Nominal amount	Fair value	Nominal amount	Fair value
		Assets Liabilities		Assets Liabilities		Assets Liabilities
The Group 31 December 2020						
Currency forward and swap	11,905,690,557	7,209,099	-	-	11,905,690,557	7,209,099
Interest rate swap	4,828,426,000	-	2,244,700,000	475,840	7,073,126,000	475,840
Total	16,734,116,557	7,209,099	2,244,700,000	475,840	18,978,816,557	7,684,939
		502,103,427		-		502,103,427
The Group 31 December 2019						
Currency forward and swap	6,642,737,640	88,707,575	1,001,004,310	19,001,424	7,643,741,950	107,708,999
Interest rate swap	3,233,468,700	-	2,444,700,000	398,898	5,678,168,700	398,898
Total	9,876,206,340	88,707,575	3,445,704,310	19,400,322	13,321,910,650	108,107,897
		112,687,889		8,355,364		121,043,253

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20207 **Notes to the consolidated financial statements (Cont'd)**[illegible]

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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7 Notes to the consolidated financial statements (Cont'd)
(6) Derivative financial instruments (Cont'd)

Nominal amounts of derivative financial instruments classified by original currency are listed as follows:

	The Group		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
RMB	2,244,700,000	2,904,700,000	2,244,700,000	2,444,700,000
USD	14,808,976,724	10,417,210,650	8,317,843,342	7,019,801,250
EUR	803,101,875	-	-	-
HKD	173,497,958	-	173,497,958	-
JPY	948,540,000	-	948,540,000	-
	<u>18,978,816,557</u>	<u>13,321,910,650</u>	<u>11,684,581,300</u>	<u>9,464,501,250</u>

(7) Other receivables

	The Group		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Dividends receivable (Note 11(3)(i))	618,669,246	-	618,669,246	-
Advances paid on behalf of related parties	205,764,647	652,054,213	933,908,860	1,582,194,049
Deposits and guarantees	83,967,131	172,525,124	51,885,731	163,042,786
Advances to suppliers	25,379,804	47,514,571	14,864,752	31,708,931
Overdue interest receivable	23,514,727	62,854,525	22,817,705	17,664,654
Related-party borrowings	8,534,704	4,606,928,912	30,283,590,009	40,980,657,681
Operating lease receivables	-	1,208,627	-	-
Others	183,823,012	93,226,191	117,021,260	37,674,661
	<u>1,149,653,271</u>	<u>5,636,312,163</u>	<u>32,042,757,563</u>	<u>42,812,942,762</u>

Note: The Group's other receivables mainly comprise dividends receivable and advances paid on behalf of related parties within Ping An Group. The Group expects that there is no significant credit risk or significant ECLs. The Company's other receivables mainly comprise borrowings due from subsidiaries.

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7 Notes to the consolidated financial statements (Cont'd)

(8) Inventories

	The Group			
	31 December 2019	Increase in the current year	Decrease in the current year	31 December 2020
Cost - Finished goods	10,553,814	56,806,924	(37,292,935)	30,067,803
	31 December 2019	Increase in the current year	Reversal in the current year	31 December 2020
Less: Provision for decline in the value of inventories	-	(168,377)	168,377	-
	<u>10,553,814</u>			<u>30,067,803</u>

(9) Other current assets

	The Group		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Estimated VAT to be deducted	318,335,093	328,084,972	131,783,742	126,806,362
Prepaid expenses	74,035,408	54,314,265	18,812,645	-
	<u>392,370,501</u>	<u>382,399,237</u>	<u>150,596,387</u>	<u>126,806,362</u>

(10) Current portion of non-current assets

As at 31 December 2020 and 31 December 2019, current portion of non-current assets of the Group and the Company was current portion of long-term receivables (Note 7(11)).

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7 Notes to the consolidated financial statements (Cont'd)

(11) Long-term receivables

	The Group		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Finance lease receivables - net (a)	115,734,749,507	183,884,662,009	66,455,956,052	103,777,888,257
Receivables for sale and leaseback - net	86,277,459,886	N/A	61,833,043,215	N/A
Factoring receivables (b)	20,446,063,333	19,831,132,764	5,341,377,238	3,859,473,454
Entrusted loans (c)	23,651,594,996	12,066,524,815	11,045,663,990	8,669,650,502
Instalment receivables (d)	15,424,427	15,725,014	-	-
Related-party borrowings receivables	-	-	-	107,572,510
Sub-total	<u>246,125,292,149</u>	<u>215,798,044,602</u>	<u>144,676,040,495</u>	<u>116,414,584,723</u>
Less: Current portion of finance lease receivables	(56,376,882,431)	(74,238,944,197)	(34,689,872,305)	(42,609,006,470)
Less: Current portion of receivables for sale and leaseback	(35,212,237,842)	N/A	(26,605,258,556)	N/A
Less: Current portion of factoring receivables	(12,331,517,287)	(12,425,999,727)	(3,006,547,618)	(1,867,644,920)
Less: Current portion of entrusted loans	(15,072,052,934)	(8,740,434,015)	(9,359,583,684)	(7,508,655,898)
Less: Current portion of instalment receivables	(15,424,427)	(15,725,014)	-	-
Less: Current portion of related-party borrowings receivables	-	-	-	(107,572,510)
Sub-total	<u>127,117,177,228</u>	<u>120,376,941,649</u>	<u>71,014,778,332</u>	<u>64,321,704,925</u>

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7 Notes to the consolidated financial statements (Cont'd)
(11) Long-term receivables (Cont'd)

	The Group		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Finance lease receivables	140,112,786,262	207,738,474,523	81,394,422,825	116,372,401,286
Add: Interest receivable	2,258,527,848	2,445,003,312	1,667,084,212	1,585,979,185
Less: Unrealised financing income	(22,196,960,475)	(22,683,157,023)	(13,623,087,288)	(11,636,748,890)
Provision for ECL	(4,439,604,128)	(3,615,658,803)	(2,982,463,697)	(2,543,743,324)
Finance lease receivables - net	<u>115,734,749,507</u>	<u>183,884,662,009</u>	<u>66,455,956,052</u>	<u>103,777,888,257</u>
	The Group		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Receivables for sale and leaseback (i)	86,595,971,758	N/A	62,180,792,286	N/A
Add: Interest receivable	242,228,569	N/A	29,500,985	N/A
Less: Provision for ECL	(560,740,441)	N/A	(377,250,056)	N/A
Receivables for sale and leaseback - net	<u>86,277,459,886</u>	<u>N/A</u>	<u>61,833,043,215</u>	<u>N/A</u>

(i) For sales and leaseback transactions where the transfer of the asset is not a sale, the Group accounts for long-term receivables in accordance with the new financial instruments standards since 1 January 2020.

(a.2) For finance lease receivables, the undiscounted lease receipts to be received for each of the five consecutive accounting years since the balance sheet date are as follows:

The Group	31 December 2020	%	31 December 2019	%
Within 1 year	66,297,556,103	47.32%	83,167,911,449	40.04%
1 to 2 years	40,528,816,545	28.93%	56,856,507,355	27.37%
2 to 3 years	19,675,215,013	14.04%	38,847,763,008	18.70%
3 to 4 years	9,062,409,641	6.47%	17,103,535,356	8.23%
4 to 5 years	2,884,393,595	2.06%	8,096,070,848	3.90%
Over 5 years	1,664,395,365	1.18%	3,666,686,507	1.76%
	<u>140,112,786,262</u>	<u>100.00%</u>	<u>207,738,474,523</u>	<u>100.00%</u>
The Company	31 December 2020	%	31 December 2019	%
Within 1 year	40,864,355,881	50.21%	47,692,953,833	40.99%
1 to 2 years	23,226,612,590	28.54%	31,691,003,745	27.23%
2 to 3 years	10,163,369,825	12.49%	21,994,302,848	18.90%
3 to 4 years	4,772,553,918	5.86%	8,469,014,999	7.28%
4 to 5 years	1,499,482,389	1.84%	4,531,824,768	3.89%
Over 5 years	868,048,222	1.06%	1,993,301,093	1.71%
	<u>81,394,422,825</u>	<u>100.00%</u>	<u>116,372,401,286</u>	<u>100.00%</u>

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7 Notes to the consolidated financial statements (Cont'd)

(11) Long-term receivables (Cont'd)

(a.3) Finance lease receivables and receivables for sale and leaseback of the Group and the Company by industry are as follows:

The Group	31 December 2020	%	31 December 2019	%
Financial industry	65,503,951,031	28.89%	51,715,507,679	24.89%
Auto financing services	52,725,017,504	23.26%	27,733,021,184	13.35%
Manufacturing	26,054,674,205	11.49%	25,550,428,101	12.30%
Water, environment and public facilities management	16,068,578,685	7.09%	24,021,604,747	11.56%
Production and supply of electric power, heat, gas and water	14,026,362,443	6.19%	18,616,144,722	8.96%
Health and social work	12,809,963,404	5.65%	15,927,458,612	7.67%
Construction	9,606,829,527	4.24%	10,670,631,898	5.14%
Transportation, warehousing and postal services	8,640,291,983	3.81%	9,145,317,992	4.40%
Cultural, sports and entertainment	7,032,198,648	3.10%	7,762,659,265	3.74%
Education	5,564,883,966	2.45%	6,314,038,483	3.04%
Mining	4,340,530,380	1.91%	3,203,615,725	1.54%
Wholesale and retail	1,502,359,431	0.66%	2,748,581,746	1.32%
Agriculture, forestry, animal husbandry and fishery	829,404,894	0.37%	1,504,522,732	0.73%
Accommodation and catering	697,462,882	0.31%	979,273,842	0.47%
Leasing and commercial services	459,921,002	0.20%	725,540,680	0.35%
Public administration, social security and social organisation	441,932,592	0.20%	692,623,760	0.33%
Information transmission, software and information technology services	208,292,063	0.09%	221,996,518	0.11%
Scientific research and technical services	77,369,478	0.04%	111,830,078	0.06%
Real estate	75,071,574	0.03%	51,781,800	0.02%
Residential service, repair and other services	43,662,328	0.02%	41,894,959	0.02%
	<u>226,708,758,020</u>	<u>100.00%</u>	<u>207,738,474,523</u>	<u>100.00%</u>
The Company	31 December 2020	%	31 December 2019	%
Auto financing services	49,962,302,184	34.80%	22,037,237,611	18.94%
Manufacturing	22,647,538,090	15.77%	21,007,947,243	18.05%
Financial services	17,338,364,960	12.08%	15,095,793,184	12.97%
Water, environment and public facilities management	11,844,547,176	8.25%	13,595,643,765	11.68%
Health and social work	10,526,262,373	7.33%	13,356,708,930	11.48%
Production and supply of electric power, heat, gas and water	8,493,732,271	5.92%	10,615,857,881	9.12%
Cultural, sports and entertainment	5,928,787,383	4.13%	6,851,586,887	5.89%
Transportation, warehousing and postal services	5,448,496,456	3.79%	4,752,250,623	4.09%
Construction	4,007,305,024	2.79%	2,910,103,079	2.50%
Mining	2,478,109,942	1.73%	2,851,678,366	2.45%
Education	2,356,817,509	1.64%	1,180,063,980	1.02%
Wholesale and retail	1,183,377,110	0.82%	666,779,912	0.57%
Accommodation and catering	532,012,124	0.37%	440,297,562	0.38%
Agriculture, forestry, animal husbandry and fishery	473,165,220	0.33%	386,152,586	0.33%
Leasing and commercial services	171,204,953	0.12%	261,425,125	0.22%
Scientific research and technical services	77,356,114	0.05%	256,296,514	0.22%
Information transmission, software and information technology services	54,347,270	0.04%	45,255,945	0.04%
Residential service, repair and other services	43,648,967	0.03%	40,054,474	0.03%
Public administration, social security and social organisation	7,591,919	0.01%	21,267,619	0.02%
Real estate	248,066	0.00%	-	0.00%
	<u>143,575,215,111</u>	<u>100.00%</u>	<u>116,372,401,286</u>	<u>100.00%</u>

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7 Notes to the consolidated financial statements (Cont'd)
(11) Long-term receivables (Cont'd)

- (a.4) As at 31 December 2020, the top five finance lease receivables and receivables for sale and leaseback of the Group and the Company in terms of balance are analysed as follows:

	The Group		The Company	
	Amount	%	Amount	%
The top five finance lease receivables and receivables for sale and leaseback	6,844,892,955	3.02%	4,877,109,854	3.40%

As at 31 December 2019, the top five finance lease receivables of the Group and the Company in terms of balance are analysed as follows:

	The Group		The Company	
	Amount	%	Amount	%
The top five finance lease receivables	7,274,619,730	3.50%	4,383,301,918	3.77%

- (a.5) Loss provision for finance lease receivables is analysed below:

	The Group		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Balance at the beginning of the year	3,615,658,803	2,542,787,717	2,543,743,324	1,627,233,140
Provision in the current year	1,249,649,700	1,544,212,371	831,937,416	1,318,835,877
Write-off in the current year	(425,704,375)	(427,330,809)	(393,217,043)	(402,325,693)
Transfer due to disposal of subsidiaries	-	(44,010,476)	-	-
Balance at the end of the year	4,439,604,128	3,615,658,803	2,982,463,697	2,543,743,324

Loss provision for receivables for sale and leaseback is analysed below:

	The Group		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Balance at the beginning of the year	-	N/A	-	N/A
Provision in the current year	560,740,441	N/A	377,250,056	N/A
Write-off in the current year	-	N/A	-	N/A
Balance at the end of the year	560,740,441	N/A	377,250,056	N/A

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7 Notes to the consolidated financial statements (Cont'd)

(11) Long-term receivables (Cont'd)

(b.1)	The Group		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Factoring receivables	20,795,508,433	20,086,386,087	5,459,753,316	3,900,322,616
Add: Interest receivable	99,434,777	98,280,442	28,097,700	37,538,382
Less: Provision for ECL	(448,879,877)	(353,533,765)	(146,473,778)	(78,387,544)
Factoring receivables - net	<u>20,446,063,333</u>	<u>19,831,132,764</u>	<u>5,341,377,238</u>	<u>3,859,473,454</u>

(b.2) The analysis of factoring receivables by industry is as follows:

	The Group			
	31 December 2020	%	31 December 2019	%
Construction	12,506,877,635	60.14%	11,760,929,415	58.55%
Financial industry	4,371,841,568	21.02%	3,509,580,957	17.47%
Wholesale and retail	3,099,510,694	14.90%	3,193,110,937	15.90%
Information transmission, software and information technology services	210,026,089	1.01%	61,188,038	0.30%
Leasing and commercial services	146,918,082	0.71%	536,661,158	2.67%
Manufacturing	140,232,131	0.67%	357,358,255	1.78%
Agriculture, forestry, animal husbandry and fishery	119,466,332	0.58%	190,819,329	0.95%
Education	96,124,160	0.46%	94,302,121	0.47%
Scientific research and technical services	48,685,476	0.24%	33,640,549	0.17%
Health and social work	21,638,802	0.11%	168,190,942	0.84%
Production and supply of electric power, heat, gas and water	18,077,060	0.09%	54,742,610	0.27%
Auto financing services	7,028,950	0.03%	5,984,002	0.03%
Transportation, warehousing and postal services	4,974,936	0.02%	-	0.00%
Water, environment and public facilities management	4,106,518	0.02%	17,724,942	0.09%
Mining	-	0.00%	102,152,832	0.51%
	<u>20,795,508,433</u>	<u>100.00%</u>	<u>20,086,386,087</u>	<u>100.00%</u>

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7 Notes to the consolidated financial statements (Cont'd)

(11) Long-term receivables (Cont'd)

(b.2) The analysis of factoring receivables by industry is as follows (Cont'd):

	The Company			
	31 December 2020	%	31 December 2019	%
Construction	4,285,493,195	78.48%	2,662,577,805	68.26%
Financial industry	774,844,184	14.19%	326,658,697	8.38%
Agriculture, forestry, animal husbandry and fishery	119,425,078	2.19%	118,866,846	3.05%
Manufacturing	118,803,318	2.18%	131,382,680	3.37%
Wholesale and retail	72,530,852	1.33%	343,349,750	8.80%
Education	56,560,160	1.04%	20,982,774	0.54%
Health and social work	21,631,329	0.40%	162,928,903	4.18%
Auto financing services	7,026,523	0.13%	5,898,350	0.15%
Information transmission, software and information technology services	3,438,677	0.06%	4,526,589	0.12%
Mining	-	0.00%	72,519,956	1.86%
Production and supply of electric power, heat, gas and water	-	0.00%	-	0.00%
Transportation, warehousing and postal services	-	0.00%	-	0.00%
Scientific research and technical services	-	0.00%	33,159,031	0.85%
Water, environment and public facilities management	-	0.00%	17,471,235	0.45%
Leasing and commercial services	-	0.00%	-	0.00%
	<u>5,459,753,316</u>	<u>100.00%</u>	<u>3,900,322,616</u>	<u>100.00%</u>

(b.3) Loss provision for factoring receivables is analysed below:

	The Group		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Balance at the beginning of the year	353,533,765	323,911,566	78,387,544	129,207,877
Provision/(Decrease) in the current year	213,870,221	136,177,344	152,841,036	(50,365,111)
Write-off in the current year	(118,524,109)	(97,566,840)	(84,754,802)	(455,222)
Transfer due to disposal of subsidiaries	-	(8,988,305)	-	-
Balance at the end of the year	<u>448,879,877</u>	<u>353,533,765</u>	<u>146,473,778</u>	<u>78,387,544</u>

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7 Notes to the consolidated financial statements (Cont'd)

(11) Long-term receivables (Cont'd)

	The Group		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Entrusted loans	24,284,783,569	12,479,333,163	11,266,341,980	8,785,647,981
Add: Interest receivable	180,115,256	100,167,225	94,811,476	93,931,780
Less: Provision for ECL	(813,303,829)	(512,975,573)	(315,489,466)	(209,929,259)
Entrusted loans - net	<u>23,651,594,996</u>	<u>12,066,524,815</u>	<u>11,045,663,990</u>	<u>8,669,650,502</u>

(c.2) The analysis of entrusted loans by industry is as follows:

	The Group			
	31 December 2020	%	31 December 2019	%
Financial industry	8,025,030,890	33.04%	1,750,393,925	14.03%
Production and supply of electric power, heat, gas and water	3,222,431,381	13.26%	1,092,706,372	8.76%
Manufacturing	3,034,734,528	12.50%	2,149,521,564	17.22%
Water, environment and public facilities management	2,266,793,761	9.33%	1,543,976,814	12.37%
Education	2,217,397,205	9.13%	1,015,780,521	8.14%
Construction	1,172,051,905	4.83%	908,883,144	7.28%
Mining	902,597,463	3.72%	233,185,108	1.87%
Wholesale and retail	762,543,600	3.14%	210,716,511	1.69%
Health and social work	704,198,960	2.90%	1,145,090,206	9.18%
Cultural, sports and entertainment	609,085,831	2.51%	890,330,984	7.13%
Agriculture, forestry, animal husbandry and fishery	313,003,379	1.29%	88,191,153	0.71%
Transportation, warehousing and postal services	280,961,666	1.16%	302,576,610	2.42%
Information transmission, software and information technology services	256,069,337	1.05%	426,381,486	3.42%
Accommodation and catering	157,275,231	0.65%	298,530,666	2.39%
Real estate	155,754,535	0.64%	196,135,180	1.57%
Leasing and commercial services	103,640,982	0.43%	77,050,952	0.62%
Public administration, social security and social organisation	67,830,567	0.28%	103,648,788	0.83%
Residential service, repair and other services	32,861,814	0.14%	43,505,459	0.35%
Scientific research and technical services	520,534	0.00%	2,727,720	0.02%
	<u>24,284,783,569</u>	<u>100.00%</u>	<u>12,479,333,163</u>	<u>100.00%</u>

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7 Notes to the consolidated financial statements (Cont'd)

(11) Long-term receivables (Cont'd)

(c.2) The analysis of entrusted loans by industry is as follows (Cont'd):

	The Company			
	31 December 2020	%	31 December 2019	%
Financial industry	7,341,616,244	65.17%	2,645,973,635	30.12%
Manufacturing	664,635,439	5.90%	1,120,455,394	12.75%
Health and social work	558,677,439	4.96%	915,787,625	10.42%
Construction	519,647,879	4.61%	677,089,648	7.71%
Education	506,696,699	4.50%	398,430,362	4.54%
Cultural, sports and entertainment	445,497,644	3.95%	711,704,795	8.10%
Production and supply of electric power, heat, gas and water	294,504,359	2.61%	350,213,786	3.99%
Information transmission, software and information technology services	240,445,463	2.13%	413,643,828	4.71%
Water, environment and public facilities management	204,143,782	1.81%	806,778,678	9.18%
Accommodation and catering	156,176,930	1.39%	283,950,422	3.23%
Real estate	120,185,874	1.07%	161,645,665	1.84%
Transportation, warehousing and postal services	72,223,976	0.64%	128,887,080	1.47%
Wholesale and retail	47,037,923	0.42%	50,961,435	0.58%
Leasing and commercial services	43,784,940	0.39%	56,630,445	0.64%
Residential service, repair and other services	32,861,814	0.29%	43,346,140	0.49%
Agriculture, forestry, animal husbandry and fishery	17,685,041	0.16%	17,421,323	0.20%
Scientific research and technical services	520,534	0.00%	2,727,720	0.03%
	<u>11,266,341,980</u>	<u>100.00%</u>	<u>8,785,647,981</u>	<u>100.00%</u>

(c.3) Loss provision for entrusted loans is analysed below:

	The Group		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Balance at the beginning of the year	512,975,573	428,241,555	209,929,259	286,265,822
Provision in the current year	443,490,263	232,268,804	191,006,866	68,941,009
Write-off in the current year	(143,162,007)	(146,660,896)	(85,446,659)	(145,277,572)
Transfer due to disposal of subsidiaries	-	(873,890)	-	-
Balance at the end of the year	<u>813,303,829</u>	<u>512,975,573</u>	<u>315,489,466</u>	<u>209,929,259</u>

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7 Notes to the consolidated financial statements (Cont'd)

(11) Long-term receivables (Cont'd)

	The Group		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Instalment sales receivables	11,530,831	11,530,831	-	-
Add: Accrued interest	7,548,593	7,546,638	-	-
Less: Unrealised financing income	(968,928)	(968,928)	-	-
Provision for ECL	(2,686,069)	(2,383,527)	-	-
Instalment sales receivable - net	<u>15,424,427</u>	<u>15,725,014</u>	<u>-</u>	<u>-</u>

(d.2) The analysis of instalment sales receivables by industry is as follows:

	The Group			
	31 December 2020	%	31 December 2019	%
Information transmission, software and information technology services	<u>11,530,831</u>	<u>100%</u>	<u>11,530,831</u>	<u>100%</u>

(d.3) Provision for bad debts of instalment sales receivables is analysed below:

	The Group	
	31 December 2020	31 December 2019
Balance at the beginning of the year	2,383,527	26,659,725
Provision in the current year	302,542	4,072,024
Write-off in the current year	-	(28,348,222)
Balance at the end of the year	<u>2,686,069</u>	<u>2,383,527</u>

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7 Notes to the consolidated financial statements (Cont'd)

(12) Long-term equity investments

	The Group		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Associates (a)	2,153,117,719	1,802,105,206	2,153,117,719	1,802,105,206
Joint ventures (b)	91,741,367	62,954,313	-	-
Subsidiaries (Note 6)	-	-	10,015,449,420	10,015,449,420
	<u>2,244,859,086</u>	<u>1,865,059,519</u>	<u>12,168,567,139</u>	<u>11,817,554,626</u>

(a.1) Associates

		Movements for the current year							
		Investment cost	31 December 2019	Share of net profit/(loss) under equity method	Share of other comprehensive income	Capital surplus	Increase in investments	Profit distribution	31 December 2020
Shenzhen Pingke Information Consulting Co., Ltd.	Unlisted company	800,000,000	1,802,105,206	40,043,360	26,432,182	51,596,597	-	(618,669,246)	1,301,508,099
Shenzhen Qianhai Jinxuan Investment Co., Ltd.	Unlisted company	848,400,001	-	3,209,619	-	-	848,400,001	-	851,609,620
Sub-total		1,648,400,001	1,802,105,206	43,252,979	26,432,182	51,596,597	848,400,001	(618,669,246)	2,153,117,719

(a.2) General information of associates:

	Major business location	Place of registration	Nature of business	Whether strategic to the Group's activities	Shareholding (%)	
					Direct	Indirect
Associates -						
Shenzhen Pingke Information Consulting Co., Ltd.	Shenzhen	Shenzhen	Enterprise management consulting and information consulting	Yes	25.68%	-
Shenzhen Qianhai Jinxuan Investment Co., Ltd.	Shenzhen	Shenzhen	Enterprise management consulting and information consulting	Yes	37.00%	-

Investments in associates are accounted for using the equity method.

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7 Notes to the consolidated financial statements (Cont'd)
(12) Long-term equity investments (Cont'd)
(a.3) Summarised financial information for associates:

Shenzhen Pingke Information Consulting Co., Ltd.

	31 December 2020	31 December 2019
Current assets	1,201,129,689	1,209,415,762
Non-current assets	11,137,549,746	8,542,381,801
Total assets	12,338,679,435	9,751,797,563
Current liabilities	4,643,997,480	2,265,318,942
Non-current liabilities	2,626,688,117	469,187,416
Total liabilities	7,270,685,597	2,734,506,358
Net assets	5,067,993,838	7,017,291,205
Shares of net assets based on shareholding (i)	1,301,508,099	1,802,105,206
Carrying amount of investment in associates	1,301,508,099	1,802,105,206
Revenue	84,309,012	56,886,752
Investment income (ii)	265,967,138	1,964,332,037
Net profit	156,011,054	1,819,665,195
Other comprehensive income	102,925,449	(837,295)
Total comprehensive income	258,936,503	1,818,827,900

(i) Share of asset is calculated according to shareholding based on the amount attributable to the parent company in the consolidated financial statements of associates, which has taken into account the impact of both the fair value of the identifiable assets and liabilities of the associate upon the acquisition of investment and accounting policy unifying.

(ii) Investment income mainly comprises long-term equity investments accounted for using the equity method from Ping An Real Estate Co., Ltd. and Ping An Chuangke (Shenzhen) Investment Management Co., Ltd.

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7 Notes to the consolidated financial statements (Cont'd)

(12) Long-term equity investments (Cont'd)

(a.3) Summarised financial information for associates (Cont'd):

Shenzhen Qianhai Jinxuan Investment Co., Ltd.

	31 December 2020	31 October 2020 (Acquisition date)
Current assets	276,965,184	2,091,680,767
Non-current assets	2,028,740,192	201,233,705
Total assets	2,305,705,376	2,292,914,472
Current liabilities	4,056,605	39,410
Non-current liabilities	100,000	-
Total liabilities	4,156,605	39,410
Net assets	2,301,548,771	2,292,875,062
Shares of net assets based on shareholding (i)	851,609,620	848,400,001
Carrying amount of investment in associates	851,609,620	848,400,001
Revenue	17,723,451	4,161,260
Investment income (ii)	5,560,572	949,897
Net profit	11,758,888	3,085,179
Other comprehensive income	-	-
Total comprehensive income	11,758,888	3,085,179

(i) Share of asset is calculated according to shareholding based on the amount attributable to the parent company in the consolidated financial statements of associates, which has taken into account the impact of both the fair value of the identifiable assets and liabilities of the associate upon the acquisition of investment and accounting policy unifying.

(ii) Investment income mainly comprises income from financial assets held for trading.

(b.1) Joint ventures

		Movements for the current year			
	Investment cost	31 December 2019	Share of net profit/(loss) under equity method	Increase in investments	31 December 2020
Shenzhen Ping An Haoyi Medical Examination Laboratory	Unlisted company	240,000,000	62,954,313	(91,212,946)	120,000,000
					91,741,367

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7 Notes to the consolidated financial statements (Cont'd)
(12) Long-term equity investments (Cont'd)
(b.2) General information of joint ventures is as follows:

	Major business location	Place of registration	Nature of business	Whether strategic to the Group's activities	Shareholding (%)	
					Direct	Indirect
Joint ventures - Shenzhen Ping An Haoyi Medical Examination Laboratory (i)	Shenzhen	Shenzhen	Medical examination	Yes	-	60%

Investments in associates are accounted for using the equity method.

(i) In accordance with the Articles of Association of joint ventures, the Board of Directors shall be the highest authority and make decisions on all significant issues. The Board of Directors consists of three directors with two appointed by the Group and one appointed by other parties. It adopts "one person one vote" policy, and significant operating matters of joint ventures shall be unanimously approved by all directors to form relevant resolutions. The Group jointly controls the joint venture with other parties, and all parties have no separate control over the joint venture.

(b.3) Summarised financial information of joint ventures:

	31 December 2020	31 December 2019
Current assets	232,558,665	126,979,392
Non-current assets	345,346,601	222,791,174
Total assets	<u>577,905,266</u>	<u>349,770,566</u>
Current liabilities	308,891,824	194,316,769
Non-current liabilities	116,111,164	90,529,942
Total liabilities	<u>425,002,988</u>	<u>284,846,711</u>
Net assets	<u>152,902,278</u>	<u>64,923,855</u>
Shares of net assets based on shareholding (Note)	91,741,367	62,954,313
Carrying amount of investment in joint ventures	91,741,367	62,954,313
Revenue	137,471,384	13,815,760
Net loss	(152,021,577)	(95,076,144)

As at 31 December 2020, the Group paid investment of RMB 240 million for 60% shareholding of the joint venture, and other parties paid investment of RMB 160 million for 40% shareholding of the joint venture. In 2020, the Group calculated share of net profit or loss under equity method by 60% proportion.

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7 Notes to the consolidated financial statements (Cont'd)

(13) Other non-current financial assets

	The Group		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Unlisted equity investment (Note 1)	686,760,545	731,878,018	37,280,965	30,769,918
- Clover Aviation Capital Company Limited	648,728,499	701,108,100	-	-
- Changzhou Pingsheng Equity Investment Fund LLP	24,653,913	18,928,860	24,653,913	18,928,860
- Dongbei Special Steel Group Dalian Precise Alloy Bar and Rods Co., Ltd. (Note 2)	9,359,037	11,841,058	9,359,037	11,841,058
- Tianjin Iron and Steel Group	4,019,096	-	3,268,015	-
Trust investments (Note 9(1)(b))	155,324,378	585,578,444	151,778,578	585,578,444
Shares (Note 3)	67,623,557	-	67,623,557	-
Fund (Note 9(1)(b))	38,919,636	300,091,489	31,100,000	245,978,974
Wealth management products investments (Note 9(1)(b))	8,463,795	527,403,659	8,463,795	508,057,938
	<u>957,091,911</u>	<u>2,144,951,610</u>	<u>296,246,895</u>	<u>1,370,385,274</u>

Note 1: These amounts were unlisted equity investments in Clover Aviation Capital Company Limited and Changzhou Pingsheng Equity Investment Fund LLP by the Group, and those acquired through debt restructuring. The Group did not participate in the ordinary course of the investees' activities, had no direct impacts on their operating decisions or exerted significant influence on the investees.

Note 2: After the debt restructuring, the Group held 11,427,352 shares in Dongbei Special Steel Group Dalian Precise Alloy Bar and Rods Co., Ltd. (Dongbei Special Steel), and 22,861,752 shares in Tianjin Iron and Steel Group Co., Ltd. and its subsidiary Tianjin Tiangang United Special Steel Co., Ltd. (Tiangang).

Note 3: These amounts represented equity investments in Qinghai Salt Lake Industry Co., Ltd. (hereinafter "Salt Lake") held by the Group after the debt restructuring. On 30 September 2019, Xining intermediate court ruled on the restructuring application of Salt Lake submitted by its creditor Golmud Taishan Industrial Co., Ltd. (hereinafter "Taishan Industrial"). After the debt restructuring, the Group held 10,123,287 shares in Salt Lake.

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7 Notes to the consolidated financial statements (Cont'd)

(14) Fixed assets

The aircraft purchased by the Group and certain automobiles purchased by subsidiaries are used for operating lease, and other fixed assets are held for self-use.

The Group

	Machinery and office equipment	Motor vehicles	Buildings	Fixed assets leased out under operating lease - automobiles	Fixed assets leased out under operating lease - aircraft	Total
Cost						
1 January 2020	390,554,604	12,276,552	393,752,677	175,568,762	233,702,700	1,205,855,295
Increase in the current year	183,553,134	2,043,754	-	75,601,159	-	261,198,047
Decrease in the current year	(17,437,014)	(2,665,711)	-	(98,589,435)	-	(118,692,160)
Exchange differences	-	-	-	-	(15,118,549)	(15,118,549)
31 December 2020	<u>556,670,724</u>	<u>11,654,595</u>	<u>393,752,677</u>	<u>152,580,486</u>	<u>218,584,151</u>	<u>1,333,242,633</u>
Accumulated depreciation						
1 January 2020	(84,220,143)	(8,163,842)	(21,435,632)	(15,708,215)	(82,672,563)	(212,200,395)
Increase in the current year	(79,206,716)	(1,425,587)	(10,997,079)	(33,832,897)	(6,171,948)	(131,634,227)
Decrease in the current year	11,448,170	291,890	-	17,768,548	-	29,508,608
Exchange differences	-	-	-	-	5,759,606	5,759,606
31 December 2020	<u>(151,978,689)</u>	<u>(9,297,539)</u>	<u>(32,432,711)</u>	<u>(31,772,564)</u>	<u>(83,084,905)</u>	<u>(308,566,408)</u>
Provision for impairment loss						
1 January 2020	-	-	-	(5,253,946)	(23,590,077)	(28,844,023)
Increase in the current year	-	(4,018)	-	(3,975,095)	(5,011,547)	(8,990,660)
Write-off in the current year	-	-	-	1,652,481	-	1,652,481
Exchange differences	-	-	-	-	1,526,074	1,526,074
31 December 2020	<u>-</u>	<u>(4,018)</u>	<u>-</u>	<u>(7,576,560)</u>	<u>(27,075,550)</u>	<u>(34,656,128)</u>
Carrying amount						
31 December 2020	<u>404,692,035</u>	<u>2,353,038</u>	<u>361,319,966</u>	<u>113,231,362</u>	<u>108,423,696</u>	<u>990,020,097</u>
31 December 2019	<u>306,334,461</u>	<u>4,112,710</u>	<u>372,317,045</u>	<u>154,606,601</u>	<u>127,440,060</u>	<u>964,810,877</u>

For the year ended 31 December 2020, the amounts of depreciation expenses charged to cost of sales and operational and administrative expenses were RMB 100,879,733 and RMB 30,754,494 (2019: RMB 200,820,906 and RMB 26,739,456) respectively.

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7 Notes to the consolidated financial statements (Cont'd)

(14) Fixed assets (Cont'd)

The Company

	Machinery and office equipment	Motor vehicles	Total
Cost			
1 January 2020	68,019,370	10,237,356	78,256,726
Increase in the current year	2,982,708	-	2,982,708
Decrease in the current year	(15,844,989)	-	(15,844,989)
31 December 2020	<u>55,157,089</u>	<u>10,237,356</u>	<u>65,394,445</u>
Accumulated depreciation			
1 January 2020	(31,008,828)	(7,699,345)	(38,708,173)
Increase in the current year	(13,798,661)	(1,215,686)	(15,014,347)
Decrease in the current year	13,285,885	-	13,285,885
31 December 2020	<u>(31,521,604)</u>	<u>(8,915,031)</u>	<u>(40,436,635)</u>
Carrying amount			
31 December 2020	<u>23,635,485</u>	<u>1,322,325</u>	<u>24,957,810</u>
31 December 2019	<u>37,010,542</u>	<u>2,538,011</u>	<u>39,548,553</u>

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7 Notes to the consolidated financial statements (Cont'd)

(15) Right-of-use assets

The Group

	Buildings
Cost	
31 December 2019	N/A
Changes in accounting policies	231,399,337
1 January 2020	231,399,337
Increase in the current year	387,531,371
Decrease in the current year	(27,749,590)
31 December 2020	<u>591,181,118</u>
Accumulated depreciation	
31 December 2019	N/A
Changes in accounting policies	(75,923,136)
1 January 2020	(75,923,136)
Increase in the current year	(116,977,702)
Decrease in the current year	27,749,590
31 December 2020	<u>(165,151,248)</u>
Carrying amount	
31 December 2020	<u>426,029,870</u>
31 December 2019	<u>N/A</u>

The Company

	Buildings
Cost	
31 December 2019	N/A
Changes in accounting policies	176,610,264
1 January 2020	176,610,264
Increase in the current year	67,837,393
Decrease in the current year	(27,749,590)
31 December 2020	<u>216,698,067</u>
Accumulated depreciation	
31 December 2019	N/A
Changes in accounting policies	(65,595,933)
1 January 2020	(65,595,933)
Increase in the current year	(77,639,769)
Decrease in the current year	27,749,590
31 December 2020	<u>(115,486,112)</u>
Carrying amount	
31 December 2020	<u>101,211,955</u>
31 December 2019	<u>N/A</u>

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7 Notes to the consolidated financial statements (Cont'd)
(16) Intangible assets

The Group	Cost	31 December 2019	Increase in the current year	Amortisation charged in the current year	Decrease on disposals in the current year	31 December 2020	Accumulated amortisation
Software system	175,275,462	88,526,636	38,669,352	(31,393,949)	-	95,802,039	(79,473,423)

The Company	Cost	31 December 2019	Increase in the current year	Amortisation charged in the current year	Decrease on disposals in the current year	31 December 2020	Accumulated amortisation
Software system	148,244,148	73,754,124	31,882,314	(25,725,763)	-	79,910,675	(68,333,473)

Expenditures on research and development of the Group incurred in 2020 amounted to RMB 30,703,767 (2019: RMB 31,484,973) and RMB 25,657,664 (2019: RMB 23,257,208), respectively, which were all included in the ending balance of development costs, without being carried forward to intangible assets or recorded in profit or loss.

(17) Long-term prepaid expenses

	The Group		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Auto financing rebates	989,934,079	-	945,092,996	-
Decoration expenses	239,356,059	171,149,417	8,288,555	8,524,933
Start-up expenses	121,284,639	165,861,614	-	-
Others	6,227,757	4,600,644	1,046,050	1,135,462
	<u>1,356,802,534</u>	<u>341,611,675</u>	<u>954,427,601</u>	<u>9,660,395</u>

(18) Deferred tax assets and deferred tax liabilities
(a.1) The Group's deferred tax assets before offsetting of certain debit and credit balances are set out as follows:

	31 December 2020		31 December 2019	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Provision for impairment loss	1,611,952,293	6,447,809,172	1,221,730,787	4,886,923,148
Deferred commission	440,044,269	1,760,177,076	697,270,187	2,789,080,748
Employee benefits payable	227,135,494	908,541,976	270,687,856	1,082,751,424
Gains/(Losses) on changes in fair value	153,639,903	614,559,612	146,940,235	604,192,532
Deductible losses	-	-	10,987,071	43,948,284
Amortisation of intangible assets	3,931,864	15,727,456	3,797,848	15,191,392
Accrued expenses	1,354,917	5,419,668	1,354,917	5,419,668
Deferred tax assets before offsetting	<u>2,438,058,740</u>	<u>9,752,234,960</u>	<u>2,352,768,901</u>	<u>9,427,507,196</u>

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7 Notes to the consolidated financial statements (Cont'd)
(18) Deferred tax assets and deferred tax liabilities (Cont'd)

- (a.1) The Group's deferred tax assets before offsetting of certain debit and credit balances are set out as follows (Cont'd):

Including:

Expected to be recovered within 1 year (inclusive)	1,099,498,174	867,931,571
Expected to be recovered after 1 year	1,338,560,566	1,484,837,330
	<u>2,438,058,740</u>	<u>2,352,768,901</u>

- (a.2) The Group's deferred tax liabilities before offsetting of certain debit and credit balances are set out as follows:

	31 December 2020		31 December 2019	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
Deferred income	-	-	(201,080,814)	(804,323,256)
Depreciation of fixed assets	(20,393,661)	(81,574,644)	(23,765,202)	(95,060,808)
Gains/(Losses) on changes in fair value	(62,979,044)	(251,916,176)	(95,259,566)	(381,038,264)
Deferred tax liabilities before offsetting	<u>(83,372,705)</u>	<u>(333,490,820)</u>	<u>(320,105,582)</u>	<u>(1,280,422,328)</u>
Including:				
Expected to be recovered within 1 year (inclusive)	(2,753,307)		(81,581,213)	
Expected to be recovered after 1 year	(80,619,398)		(238,524,369)	
	<u>(83,372,705)</u>		<u>(320,105,582)</u>	

- (a.3) The net balances of the Group's deferred tax assets and liabilities after offsetting are as follows:

	31 December 2020	31 December 2019
Deferred tax assets - net	2,354,686,035	2,035,885,332
Deferred tax liabilities - net	<u>-</u>	<u>(3,222,013)</u>

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7 Notes to the consolidated financial statements (Cont'd)
(18) Deferred tax assets and deferred tax liabilities (Cont'd)

- (a.4) The Company's deferred tax assets before offsetting of certain debit and credit balances are set out as follows:

	31 December 2020		31 December 2019	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Provision for impairment loss	995,479,865	3,981,919,460	805,066,648	3,220,266,592
Deferred commission	124,146,577	496,586,308	191,242,197	764,968,788
Employee benefits payable	205,330,338	821,321,352	257,944,807	1,031,779,228
Gains/(Losses) on changes in fair value	140,307,162	561,228,648	136,410,715	545,642,860
Amortisation of intangible assets	3,931,864	15,727,456	3,797,848	15,191,392
Accrued expenses	1,354,917	5,419,668	1,354,917	5,419,668
Deferred tax assets before offsetting	<u>1,470,550,723</u>	<u>5,882,202,892</u>	<u>1,395,817,132</u>	<u>5,583,268,528</u>
Including:				
Expected to be recovered within 1 year (inclusive)	606,839,930		508,114,293	
Expected to be recovered after 1 year	<u>863,710,793</u>		<u>887,702,839</u>	
	<u>1,470,550,723</u>		<u>1,395,817,132</u>	

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7 Notes to the consolidated financial statements (Cont'd)
(18) Deferred tax assets and deferred tax liabilities (Cont'd)

- (a.5) The Company's deferred tax liabilities before offsetting of certain debit and credit balances are set out as follows:

	31 December 2020		31 December 2019	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
Deferred income Gains/(Losses) on changes in fair value	-	-	(194,684,565)	(778,738,260)
Depreciation of fixed assets	(62,562,969)	(250,251,876)	(94,921,282)	(379,685,128)
Deferred tax liabilities before offsetting	<u>(4,487,166)</u>	<u>(17,948,664)</u>	<u>(6,019,531)</u>	<u>(24,078,124)</u>
	<u>(67,050,135)</u>	<u>(268,200,540)</u>	<u>(295,625,378)</u>	<u>(1,182,501,512)</u>
Including:				
Expected to be recovered within 1 year (inclusive)	(2,196,002)		(81,242,929)	
Expected to be recovered after 1 year	<u>(64,854,133)</u>		<u>(214,382,449)</u>	
	<u>(67,050,135)</u>		<u>(295,625,378)</u>	

- (a.6) The net balances of the Company's deferred tax assets and liabilities after offsetting are as follows:

	31 December 2020	31 December 2019
Deferred tax assets - net	<u>1,403,500,588</u>	<u>1,100,191,754</u>

- (b) Deductible losses that are not recognised as deferred tax assets by the Group are analysed as follows:

	31 December 2020	31 December 2019
Deductible losses	<u>2,057,467,230</u>	<u>971,867,623</u>

- (c) Deductible losses that are not recognised as deferred tax assets by the Group will be expired as follows:

	31 December 2020	31 December 2019
2021	14,294,788	23,171,242
2022	92,788,797	92,788,797
2023	252,169,664	381,522,380
2024	474,385,204	474,385,204
2025 and subsequent years	<u>1,223,828,777</u>	<u>-</u>

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7 Notes to the consolidated financial statements (Cont'd)

(19) Other non-current assets

	The Group		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Continuing involvement assets (Note)	1,660,677,381	3,998,831,961	1,572,867,381	3,831,071,961
Others	127,030	3,054,879	127,030	1,688,775
	<u>1,660,804,411</u>	<u>4,001,886,840</u>	<u>1,572,994,411</u>	<u>3,832,760,736</u>

Note: This refers to the amount of continuing involvement assets recognised by the Group based on the degree of transfer of financial assets (See Note 9(2)).

(20) Borrowings

Short-term borrowings:

	The Group	
	31 December 2020	31 December 2019
Unsecured borrowings	27,557,198,861	23,344,567,637
Pledged borrowings	7,235,151,987	5,285,000,000
Add: Interest payable	<u>77,815,759</u>	<u>107,378,356</u>
	<u>34,870,166,607</u>	<u>28,736,945,993</u>

	The Company	
	31 December 2020	31 December 2019
Unsecured borrowings	19,277,848,635	13,734,597,637
Pledged borrowings	6,485,151,986	5,020,000,000
Add: Interest payable	<u>52,520,477</u>	<u>85,971,136</u>
	<u>25,815,521,098</u>	<u>18,840,568,773</u>

As at 31 December 2020, the pledged borrowings of RMB 7,235,151,987 (31 December 2019: RMB 5,285,000,000) were secured by rentals receivable from finance lease program of RMB 9,506,943,650 (2019: finance lease receivables of RMB 6,077,895,565).

As at 31 December 2020, the contractual annual interest rate of short-term borrowings ranged from 0.97% to 5.29% (31 December 2019: 3.70% to 6.68%).

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7 Notes to the consolidated financial statements (Cont'd)

(20) Borrowings (Cont'd)

Long-term borrowings:

	The Group	
	31 December 2020	31 December 2019
Unsecured borrowings	26,578,391,265	29,589,531,933
Pledged borrowings	44,680,531,610	37,789,234,431
Secured borrowings	1,000,000,000	6,024,618,060
Add: Interest payable	149,266,580	309,516,640
	<u>72,408,189,455</u>	<u>73,712,901,064</u>
Less: Current portion of long-term borrowings	<u>(31,515,350,223)</u>	<u>(29,267,306,758)</u>
	<u>40,892,839,232</u>	<u>44,445,594,306</u>

	The Company	
	31 December 2020	31 December 2019
Unsecured borrowings	14,111,932,859	13,980,995,833
Pledged loan	27,838,267,561	27,245,010,427
Secured borrowings	1,000,000,000	5,511,867,360
Add: Interest payable	92,148,150	144,239,863
	<u>43,042,348,570</u>	<u>46,882,113,483</u>
Less: Current portion of long-term borrowings	<u>(20,796,877,890)</u>	<u>(21,522,665,679)</u>
	<u>22,245,470,680</u>	<u>25,359,447,804</u>

As at 31 December 2020, the pledged borrowings of RMB 44,680,531,610 (31 December 2019: RMB 37,789,234,431) were secured by rentals receivable from finance lease of RMB 74,457,880,950 (31 December 2019: RMB 55,394,064,941).

As at 31 December 2020, the secured borrowings of RMB 1,000,000,000 (31 December 2019: RMB 5,004,000,000, others were letters of guarantee) were guaranteed by Ping An Group (see Note 11(3)(o)).

As at 31 December 2020, the contractual annual interest rate of long-term borrowings ranged from 1.45% to 6.86% (31 December 2019: 2.10% to 7.13%).

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7 Notes to the consolidated financial statements (Cont'd)

(21) Notes payable

	The Group		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Bank acceptance notes	3,778,177,472	3,802,420,287	3,411,694,544	2,409,133,147
Trade acceptance notes	960,000,000	-	-	-
	<u>4,738,177,472</u>	<u>3,802,420,287</u>	<u>3,411,694,544</u>	<u>2,409,133,147</u>

(22) Accounts payable

	The Group		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Payables for purchased and leased equipment	276,370,617	445,189,288	248,686,552	412,014,544
Payables for factoring project	134,936,885	5,436,885	4,300,000	4,300,000
Payables for medical business	39,393,512	12,530,270	-	-
Letters of credit payables (Note)	1,635,990,000	4,784,100	478,500,000	4,784,100
Others	6,685	-	-	-
	<u>2,086,697,699</u>	<u>467,940,543</u>	<u>731,486,552</u>	<u>421,098,644</u>

Note: The amount represented letters of credit issued for payables for transfer of creditor's right and payables for leased equipment.

(23) Contract liabilities

	The Group		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Advances from customers	<u>31,274,438</u>	<u>69,578,213</u>	<u>4,226,861</u>	<u>33,874,782</u>

(24) Employee benefits payable

	The Group		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Short-term employee benefits (a)	876,854,021	775,015,128	553,041,371	606,025,612
Defined contribution plans (b)	17,702,134	27,182,728	36,902,546	41,081,376
	<u>894,556,155</u>	<u>802,197,856</u>	<u>589,943,917</u>	<u>647,106,988</u>

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7 Notes to the consolidated financial statements (Cont'd)

(24) Employee benefits payable (Cont'd)

(a) Short-term employee benefits

The Group

	31 December 2019	Increase in the current year	Decrease in the current year	31 December 2020
Wages and salaries, bonus, allowances and subsidies	686,854,311	1,412,665,776	(1,311,821,867)	787,698,220
Staff welfare	1,050,005	17,313,770	(17,064,555)	1,299,220
Social security contributions	13,345,912	50,745,298	(55,623,584)	8,467,626
Including: Medical insurance	11,693,181	45,905,080	(50,071,482)	7,526,779
Work injury insurance	590,616	972,974	(1,249,974)	313,616
Maternity insurance	1,062,115	3,867,244	(4,302,128)	627,231
Housing funds	9,672,015	56,192,705	(61,098,696)	4,766,024
Labour union funds	28,439,670	35,078,807	(28,497,608)	35,020,869
Employee education funds	35,653,215	22,167,985	(18,219,138)	39,602,062
	<u>775,015,128</u>	<u>1,594,164,341</u>	<u>(1,492,325,448)</u>	<u>876,854,021</u>

The Company

	31 December 2019	Increase in the current year	Decrease in the current year	31 December 2020
Wages and salaries, bonus, allowances and subsidies	524,530,000	722,618,393	(768,934,593)	478,213,800
Staff welfare	1,003,584	7,559,876	(7,559,876)	1,003,584
Social security contributions	20,403,386	35,786,123	(37,805,798)	18,383,711
Including: Medical insurance	17,876,674	32,164,039	(33,699,636)	16,341,077
Work injury insurance	902,939	741,695	(963,756)	680,878
Maternity insurance	1,623,773	2,880,389	(3,142,406)	1,361,756
Housing funds	14,955,401	37,672,616	(39,010,453)	13,617,564
Labour union funds	20,671,176	22,873,273	(20,471,361)	23,073,088
Employee education funds	24,462,065	9,984,020	(15,696,461)	18,749,624
	<u>606,025,612</u>	<u>836,494,301</u>	<u>(889,478,542)</u>	<u>553,041,371</u>

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7 Notes to the consolidated financial statements (Cont'd)

(24) Employee benefits payable (Cont'd)

(b) Defined contribution plans

The Group

	2020		2019	
	Amount payable	Ending balance	Amount payable	Ending balance
Basic pensions	55,610,855	15,680,789	101,953,642	24,820,711
Unemployment insurance	5,709,378	940,847	5,520,359	1,682,507
Enterprise annuity	2,774,319	1,080,498	2,358,008	679,510
	<u>64,094,552</u>	<u>17,702,134</u>	<u>109,832,009</u>	<u>27,182,728</u>

The Company

	2020		2019	
	Amount payable	Ending balance	Amount payable	Ending balance
Basic pensions	44,897,424	34,043,908	77,473,022	37,946,200
Unemployment insurance	4,529,285	2,042,635	4,727,560	2,572,238
Enterprise annuity	420,537	816,003	1,569,142	562,938
	<u>49,847,246</u>	<u>36,902,546</u>	<u>83,769,724</u>	<u>41,081,376</u>

(25) Taxes payable

	The Group		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Enterprise income tax payable	960,503,531	826,214,304	425,475,577	178,128,774
VAT payable	77,395,876	135,639,195	-	-
City maintenance and construction tax and surcharges payable	1,613,878	13,247,058	1,095,605	1,079,940
Stamp tax payable	2,332,786	5,612,529	1,632,590	4,477,251
Individual income tax payable	9,597,027	6,517,170	103,407	1,743,893
Real estate tax payable	-	79,513	-	79,513
Others	3,640	48,405	-	1,052
	<u>1,051,446,738</u>	<u>987,358,174</u>	<u>428,307,179</u>	<u>185,510,423</u>

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7 Notes to the consolidated financial statements (Cont'd)

(26) Other payables

	The Group		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Amounts to be transferred (Note 7(19))	16,705,836,355	11,081,868,420	9,752,573,416	7,266,162,598
Current accounts payable to related parties	59,633,302	56,673,781	349,737,764	119,382,012
Others	146,631,791	182,685,121	65,358,316	67,798,847
	<u>16,912,101,448</u>	<u>11,321,227,322</u>	<u>10,167,669,496</u>	<u>7,453,343,457</u>

Note: This refers to the amount of financing received by the Group and the Company in the asset-backed securitisation transaction and the amount of rental received from the lessee by the Group and the Company as an asset service institution but not yet transferred to investors or structured entities.

(27) Current portion of non-current liabilities

	The Group		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Current portion of long-term borrowings (Note 7(19))	31,515,350,223	29,267,306,758	20,796,877,890	21,522,665,679
Current portion of long-term payables (Note 7(30))	5,848,239,788	5,355,099,337	4,208,047,675	3,623,802,350
Current portion of lease liabilities (Note 7(28))	7,181,500	N/A	6,014,611	N/A
	<u>37,370,771,511</u>	<u>34,622,406,095</u>	<u>25,010,940,176</u>	<u>25,146,468,029</u>

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7 Notes to the consolidated financial statements (Cont'd)

(28) Bonds payable

(a) Bonds classified as current liabilities

Issuer	Category	Type of guarantee	Term	Right of redemption	Par value (RMB Yuan)	Year of issuance	Type of interest rate	Coupon rate (per annum)	31 December 2020	31 December 2019
Subsidiary	Offshore EUR bonds	Nil	1 year	Nil	802,500,000	2020	Fixed	1.00%	802,500,000	-
The Company	Medium-term notes	Nil	5 years	Nil	1,250,000,000	2016	Fixed	4.30%	1,250,000,000	-
The Company	Private publication notes	Nil	3 years	Nil	1,500,000,000	2018	Fixed	6.25%	1,500,000,000	-
The Company	Private publication notes	Nil	3 years	Nil	1,000,000,000	2018	Fixed	6.00%	1,000,000,000	-
The Company	Private placement debentures	Nil	3 years	Nil	2,260,000,000	2018	Fixed	6.29%	2,260,000,000	-
The Company	Private placement debentures	Nil	5 years	End of the third interest bearing year	1,710,000,000	2018	Fixed	6.00%	1,710,000,000	-
The Company	Private placement debentures	Nil	5 years	End of the third interest bearing year	1,000,000,000	2018	Fixed	6.20%	1,000,000,000	-
The Company	Private publication notes	Nil	3 years	Nil	1,000,000,000	2018	Fixed	6.40%	1,000,000,000	-
The Company	Private publication notes	Nil	3 years	Nil	1,200,000,000	2018	Fixed	5.88%	1,200,000,000	-
The Company	Private placement debentures	Nil	3 years	Nil	508,000,000	2018	Fixed	6.08%	508,000,000	-
The Company	Private placement debentures	Nil	3 years	Nil	1,740,000,000	2018	Fixed	6.08%	1,740,000,000	-
The Company	Private placement debentures	Nil	3 years	Nil	259,000,000	2018	Fixed	3.60%	259,000,000	-
The Company	Medium-term notes	Nil	3 years	Nil	2,400,000,000	2018	Fixed	4.48%	2,400,000,000	-
The Company	Private placement debentures	Nil	3 years	End of the second interest bearing year	600,000,000	2019	Fixed	4.60%	600,000,000	-
The Company	Private placement debentures	Nil	4 years	End of the second interest bearing year	500,000,000	2019	Fixed	4.75%	500,000,000	-
The Company	Private placement debentures	Nil	4 years	End of the second interest bearing year	800,000,000	2019	Fixed	4.53%	800,000,000	-
The Company	Private placement debentures	Nil	4 years	End of the second interest bearing year	1,400,000,000	2019	Fixed	4.60%	1,400,000,000	-
The Company	Private placement debentures	Nil	1 year	Nil	500,000,000	2020	Fixed	3.10%	500,000,000	-
The Company	Commercial paper	Nil	1 year	Nil	1,800,000,000	2020	Fixed	2.73%	1,800,000,000	-
The Company	Commercial paper	Nil	1 year	Nil	600,000,000	2020	Fixed	2.05%	600,000,000	-

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7 Notes to the consolidated financial statements (Cont'd)

(28) Bonds payable (Cont'd)

(a) Bonds classified as current liabilities (Cont'd)

Issuer	Category	Type of guarantee	Term	Right of redemption	Par value (RMB Yuan)	Year of issuance	Type of interest rate	Coupon rate (per annum)	31 December 2020	31 December 2019
The Company	Commercial paper	Nil	1 year	Nil	1,000,000,000	2020	Fixed	2.07%	1,000,000,000	-
The Company	Private placement debentures	Nil	1 year	Nil	1,000,000,000	2020	Fixed	3.70%	1,000,000,000	-
The Company	Private placement debentures	Nil	1 year	Nil	500,000,000	2020	Fixed	3.58%	500,000,000	-
The Company	Private placement debentures	Nil	1 year	Nil	1,000,000,000	2020	Fixed	3.20%	1,000,000,000	-
The Company	Super commercial paper	Nil	105 days	Nil	1,500,000,000	2020	Fixed	2.55%	1,500,000,000	-
The Company	Super commercial paper	Nil	133 days	Nil	1,200,000,000	2020	Fixed	2.60%	1,200,000,000	-
The Company	Super commercial paper	Nil	126 days	Nil	1,000,000,000	2020	Fixed	2.60%	1,000,000,000	-
The Company	Commercial paper	Nil	1 year	Nil	500,000,000	2020	Fixed	3.47%	500,000,000	-
The Company	Public placement debentures	Nil	1 year	Nil	800,000,000	2020	Fixed	3.55%	800,000,000	-
The Company	Public placement debentures	Nil	1 year	Nil	800,000,000	2020	Fixed	3.45%	800,000,000	-
The Company	Super commercial paper	Nil	1 year	Nil	500,000,000	2020	Fixed	2.90%	500,000,000	-
The Company	Super commercial paper	Nil	1 year	Nil	1,000,000,000	2020	Fixed	3.00%	1,000,000,000	-
The Company	Private placement debentures	Nil	1 year	Nil	1,500,000,000	2020	Fixed	3.90%	1,500,000,000	-
The Company	Private placement debentures	Nil	1 year	Nil	500,000,000	2020	Fixed	4.54%	500,000,000	-
The Company	Private placement debentures (Note 1)	Nil	5 years	Nil	2,000,000,000	2017	Fixed	5.30%	-	2,000,000,000
The Company	Private placement debentures (Note 1)	Nil	5 years	Nil	1,800,000,000	2017	Fixed	5.56%	-	1,800,000,000
The Company	Private placement debentures (Note 1)	Nil	5 years	Nil	1,200,000,000	2017	Fixed	5.45%	-	1,200,000,000
The Company	Private placement debentures (Note 1)	Nil	3 years	Nil	1,200,000,000	2017	Fixed	5.40%	-	1,200,000,000
The Company	Private publication notes	Nil	3 years	Nil	2,000,000,000	2017	Fixed	5.90%	-	2,000,000,000
The Company	Private publication notes	Nil	3 years	Nil	1,800,000,000	2017	Fixed	6.10%	-	1,800,000,000
The Company	Private publication notes	Nil	2 years	Nil	1,000,000,000	2018	Fixed	5.73%	-	1,000,000,000

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7 Notes to the consolidated financial statements (Cont'd)

(28) Bonds payable (Cont'd)

(a) Bonds classified as current liabilities (Cont'd)

Issuer	Category	Type of guarantee	Term	Right of redemption	Par value (RMB Yuan)	Year of issuance	Type of interest rate	Coupon rate (per annum)	31 December 2020	31 December 2019
The Company	Private publication notes	Nil	2 years	Nil	300,000,000	2018	Fixed	5.20%	-	300,000,000
The Company	Private placement debentures	Nil	2 years	Nil	590,000,000	2018	Fixed	5.00%	-	590,000,000
The Company	Commercial paper	Nil	1 year	Nil	1,800,000,000	2019	Fixed	3.55%	-	1,800,000,000
The Company	Commercial paper	Nil	1 year	Nil	1,500,000,000	2019	Fixed	3.30%	-	1,500,000,000
The Company	Super commercial paper	Nil	151 days	Nil	1,500,000,000	2019	Fixed	2.40%	-	1,500,000,000
The Company	Super commercial paper	Nil	131 days	Nil	1,000,000,000	2019	Fixed	2.35%	-	1,000,000,000
The Company	Super commercial paper	Nil	164 days	Nil	500,000,000	2019	Fixed	2.30%	-	500,000,000
The Company	Commercial paper	Nil	1 year	Nil	1,500,000,000	2019	Fixed	3.47%	-	1,500,000,000
The Company	Medium-term notes (Note 2)	Nil	3+N years	Nil	2,100,000,000	2017	Fixed	5.50%	-	2,100,000,000
The Company	Super commercial paper	Nil	161 days	Nil	500,000,000	2019	Fixed	2.65%	-	500,000,000
The Company	Super commercial paper	Nil	166 days	Nil	600,000,000	2019	Fixed	2.83%	-	600,000,000
The Company	Super commercial paper	Nil	184 days	Nil	1,000,000,000	2019	Fixed	2.65%	-	1,000,000,000
The Company	Super commercial paper	Nil	175 days	Nil	1,000,000,000	2019	Fixed	3.09%	-	1,000,000,000
The Company	Super commercial paper	Nil	181 days	Nil	1,500,000,000	2019	Fixed	3.00%	-	1,500,000,000
Sub-total									35,629,500,000	26,390,000,000
Less: Unamortised issuance cost									(37,815,887)	(38,550,896)
Add: Interest payable									1,351,486,531	1,191,166,171
Book balance of bonds issued									36,943,170,644	27,542,615,275

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7 Notes to the consolidated financial statements (Cont'd)

(28) Bonds payable (Cont'd)

(b) Bonds classified as non-current liabilities

Issuer	Category	Type of guarantee	Term	Right of redemption	Par value (RMB Yuan)	Year of issuance	Type of interest rate	Coupon rate (per annum)	31 December 2020	31 December 2019
The Company	Public placement debentures	Nil	5 years	Nil	599,000,000	2017	Fixed	3.62%	599,000,000	600,000,000
The Company	Private placement debentures (Note 1)	Nil	5 years	Nil	1,196,000,000	2017	Fixed	3.95%	1,196,000,000	-
The Company	Public placement debentures	Nil	5 years	End of the third interest bearing year	1,200,000,000	2019	Fixed	4.30%	1,200,000,000	1,200,000,000
The Company	Private placement debentures	Nil	5 years	End of the third interest bearing year	500,000,000	2019	Fixed	5.00%	500,000,000	500,000,000
The Company	Private placement debentures	Nil	5 years	End of the third interest bearing year	2,000,000,000	2019	Fixed	4.98%	2,000,000,000	2,000,000,000
The Company	Private publication notes	Nil	3 years	Nil	1,500,000,000	2019	Fixed	4.49%	1,500,000,000	1,500,000,000
The Company	Public placement debentures	Nil	5 years	End of the third interest bearing year	800,000,000	2019	Fixed	4.03%	800,000,000	800,000,000
The Company	Public placement debentures	Nil	5 years	End of the third interest bearing year	1,600,000,000	2019	Fixed	3.84%	1,600,000,000	1,600,000,000
The Company	Private placement debentures	Nil	3 years	Nil	2,000,000,000	2019	Fixed	4.80%	2,000,000,000	2,000,000,000
The Company	Private placement debentures	Nil	3 years	Nil	2,000,000,000	2019	Fixed	4.70%	2,000,000,000	2,000,000,000
The Company	Medium-term notes	Nil	3 years	Nil	1,600,000,000	2019	Fixed	4.10%	1,600,000,000	1,600,000,000
The Company	Private publication notes	Nil	3 years	Nil	1,000,000,000	2020	Fixed	3.70%	1,000,000,000	-
The Company	Medium-term notes	Nil	3 years	Nil	1,500,000,000	2020	Fixed	3.38%	1,500,000,000	-
The Company	Private publication notes	Nil	3 years	Nil	1,500,000,000	2020	Fixed	3.70%	1,500,000,000	-
The Company	Private publication notes	Nil	3 years	Nil	1,100,000,000	2020	Fixed	3.69%	1,100,000,000	-
The Company	Private publication notes	Nil	3 years	Nil	500,000,000	2020	Fixed	3.50%	500,000,000	-
The Company	Private publication notes	Nil	3 years	Nil	500,000,000	2020	Fixed	3.40%	500,000,000	-
The Company	Private placement debentures	Nil	3 years	Nil	2,000,000,000	2020	Fixed	3.98%	2,000,000,000	-
The Company	Private placement debentures (Note 1)	Nil	5 years	Nil	2,000,000,000	2017	Fixed	3.70%	2,000,000,000	-
The Company	Public placement debentures	Nil	5 years	Nil	1,599,009,000	2017	Fixed	3.35%	1,599,009,000	1,600,000,000

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7 Notes to the consolidated financial statements (Cont'd)

(28) Bonds payable (Cont'd)

(b) Bonds classified as non-current liabilities (Cont'd)

Issuer	Category	Type of guarantee	Term	Right of redemption	Par value (RMB Yuan)	Year of issuance	Type of interest rate	Coupon rate (per annum)	31 December 2020	31 December 2019
The Company	Private placement debentures (Note 1)	Nil	5 years	Nil	1,800,000,000	2017	Fixed	4.08%	1,800,000,000	-
The Company	Public placement debentures	Nil	5 years	Nil	2,194,900,000	2017	Fixed	3.70%	2,194,900,000	2,200,000,000
The Company	Private placement debentures	Nil	3 years	Nil	500,000,000	2020	Fixed	4.30%	500,000,000	-
The Company	Private publication notes	Nil	3 years	Nil	500,000,000	2020	Fixed	4.35%	500,000,000	-
The Company	Public placement debentures	Nil	3 years	Nil	1,500,000,000	2020	Fixed	3.85%	1,500,000,000	-
The Company	Medium-term notes	Nil	3 years	Nil	1,000,000,000	2020	Fixed	3.84%	1,000,000,000	-
The Company	Public placement debentures	Nil	4 years	End of the second interest bearing year	1,400,000,000	2020	Fixed	3.85%	1,400,000,000	-
The Company	Public placement debentures	Nil	4 years	End of the second interest bearing year	800,000,000	2020	Fixed	3.65%	800,000,000	-
The Company	Public placement debentures	Nil	5 years	End of the third interest bearing year	600,000,000	2020	Fixed	4.02%	600,000,000	-
The Company	Public placement debentures	Nil	5 years	End of the third interest bearing year	1,200,000,000	2020	Fixed	3.88%	1,200,000,000	-
The Company	Public placement debentures	Nil	4 years	End of the second interest bearing year	300,000,000	2020	Fixed	3.69%	300,000,000	-
The Company	Public placement debentures	Nil	5 years	End of the third interest bearing year	950,000,000	2020	Fixed	3.90%	950,000,000	-
The Company	Private publication notes	Nil	3 years	Nil	500,000,000	2020	Fixed	4.28%	500,000,000	-
The Company	Private placement debentures	Nil	2 years	Nil	500,000,000	2020	Fixed	4.65%	500,000,000	-
The Company	Medium-term notes	Nil	5 years	Nil	1,250,000,000	2016	Fixed	4.30%	-	1,250,000,000
The Company	Private publication notes	Nil	3 years	Nil	1,500,000,000	2018	Fixed	6.25%	-	1,500,000,000
The Company	Private publication notes	Nil	3 years	Nil	1,000,000,000	2018	Fixed	6.00%	-	1,000,000,000
The Company	Private placement debentures	Nil	3 years	Nil	2,260,000,000	2018	Fixed	6.29%	-	2,260,000,000

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7 Notes to the consolidated financial statements (Cont'd)

(28) Bonds payable (Cont'd)

(b) Bonds classified as non-current liabilities (Cont'd)

Issuer	Category	Type of guarantee	Term	Right of redemption	Par value (RMB Yuan)	Year of issuance	Type of interest rate	Coupon rate (per annum)	31 December 2020	31 December 2019
The Company	Private placement debentures	Nil	5 years	End of the third interest bearing year	1,710,000,000	2018	Fixed	6.00%	-	1,710,000,000
The Company	Private placement debentures	Nil	5 years	End of the third interest bearing year	1,000,000,000	2018	Fixed	6.20%	-	1,000,000,000
The Company	Private publication notes	Nil	3 years	Nil	1,000,000,000	2018	Fixed	6.40%	-	1,000,000,000
The Company	Private placement debentures	Nil	3 years	End of the second interest bearing year	960,000,000	2018	Fixed	5.99%	-	960,000,000
The Company	Private publication notes	Nil	3 years	Nil	1,200,000,000	2018	Fixed	5.88%	-	1,200,000,000
The Company	Private placement debentures	Nil	3 years	Nil	508,000,000	2018	Fixed	6.08%	-	508,000,000
The Company	Private placement debentures	Nil	3 years	Nil	1,740,000,000	2018	Fixed	6.08%	-	1,740,000,000
The Company	Private placement debentures	Nil	3 years	Nil	1,740,000,000	2018	Fixed	5.95%	-	1,740,000,000
The Company	Medium-term notes	Nil	3 years	Nil	2,400,000,000	2018	Fixed	4.48%	-	2,400,000,000
The Company	Private placement debentures	Nil	3 years	End of the second interest bearing year	600,000,000	2019	Fixed	4.60%	-	600,000,000
The Company	Private placement debentures	Nil	4 years	End of the second interest bearing year	500,000,000	2019	Fixed	4.75%	-	500,000,000
The Company	Private placement debentures	Nil	4 years	End of the second interest bearing year	800,000,000	2019	Fixed	4.53%	-	800,000,000
The Company	Private placement debentures	Nil	4 years	End of the second interest bearing year	1,400,000,000	2019	Fixed	4.60%	-	1,400,000,000
Sub-total									40,438,909,000	39,168,000,000
Less: Unamortised issuance cost									(42,920,426)	(57,217,183)
Book balance of bonds issued									40,395,988,574	39,110,782,817

Note 1: Certain bonds contain redemption rights which fall at the end of the third interest bearing year.

Note 2: Such bonds are renewable medium-term notes, which have been redeemed in 2020.

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7 Notes to the consolidated financial statements (Cont'd)

(29) Lease liabilities

The Group

	31 December 2020	31 December 2019
Lease liabilities	461,177,653	N/A
Current portion of non-current liabilities	7,181,500	N/A
Non-current liabilities with maturities over 1 year	453,996,153	N/A

The Company

	31 December 2020	31 December 2019
Lease liabilities	106,517,626	N/A
Current portion of non-current liabilities	6,014,611	N/A
Non-current liabilities with maturities over 1 year	100,503,015	N/A

(30) Deferred income

	The Group		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Deferred commission	408,759,263	471,718,519	88,047,866	142,426,139

(31) Long-term payables

	The Group		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Deposits	22,162,807,443	24,279,042,203	12,884,924,277	13,653,954,731
Payables for business	81,792,822	-	-	-
Financing arrangement fee	6,640,685	91,617,583	6,640,685	13,026,163
Borrowings from related parties	-	-	859,705,652	65,474,754
Less: Current portion of long-term payables (Note 7(26))	(5,848,239,788)	(5,355,099,337)	(4,208,047,675)	(3,623,802,350)
	<u>16,403,001,162</u>	<u>19,015,560,449</u>	<u>9,543,222,939</u>	<u>10,108,653,298</u>

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7 Notes to the consolidated financial statements (Cont'd)

(32) Other non-current liabilities

	The Group		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Continuing involvement liabilities (Note)	1,660,677,381	3,998,831,961	1,572,867,381	3,831,071,961
Long-term employee benefits payable	888,952,351	965,972,367	860,122,694	932,798,688
	<u>2,549,629,732</u>	<u>4,964,804,328</u>	<u>2,432,990,075</u>	<u>4,763,870,649</u>

Note: This refers to the amount of continuing involvement liabilities recognised by the Group based on the degree of transfer of financial assets (see Note 9(2)).

(33) Paid-in capital

	The Group and the Company	
	31 December 2020	31 December 2019
Ping An Group	10,069,270,560	9,650,421,797
Ping An Overseas Holdings	4,168,720,706	3,984,388,646
	<u>14,237,991,266</u>	<u>13,634,810,443</u>

(34) Other equity instruments

	The Group and the Company	
	31 December 2020	31 December 2019
Perpetual bonds	<u>11,606,815,013</u>	<u>11,474,424,122</u>

The equity instrument is issued for the purpose of general enterprise financing and has no fixed due date. During the first period and on each interest rate reset date thereafter, the Group will be entitled to redeem the equity instrument at par value plus interest payable (including all deferred interest and its yield).

The coupon rate of the equity instrument for the first period is the initial benchmark interest rate plus the initial interest-rate spread, and the coupon rate for subsequent periods will be reset to the current benchmark interest rate plus initial interest-rate spread and 300 basis points. At each interest payment date, the Group can at its own discretion choose to defer interest payment under the circumstances that no mandatory interest payment events such as dividend distribution and capital reduction occurred. The issuer shall not conduct such actions as dividend distribution and capital reduction before paying off all deferred interest and its yield.

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7 Notes to the consolidated financial statements (Cont'd)

(35) Capital surplus

	The Group		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Capital premium	823,694,393	1,541,558,305	878,328,943	1,566,461,156
Including: Cost of stock				
purchase through				
long-term service				
plan	(206,933,718)	(106,496,478)	(152,343,941)	(81,628,401)
Repayment of				
perpetual bonds	(31,335,849)	(17,100,000)	(31,335,849)	(17,100,000)
Other capital surplus	336,204,247	280,134,739	334,915,169	279,935,171
Including: Share of changes in				
equity other than				
comprehensive				
income and profit				
distribution of				
investees under				
the equity method	335,498,484	283,901,887	335,498,485	283,901,887
Core employee stock				
ownership plan				
(Note 1)	(4,202,472)	(4,445,493)	(4,202,472)	(4,445,493)
Share-based				
payment expenses				
(Note 2)	4,908,235	678,345	3,619,156	478,777
	<u>1,159,898,640</u>	<u>1,821,693,044</u>	<u>1,213,244,112</u>	<u>1,846,396,327</u>

Note 1: The Group participates in the core employee stock ownership plan ("the Plan") managed by the ultimate controlling parent company of the Group. The Group transfers salaries and performance bonuses of the employees under the Plan to the ultimate controlling parent company of the Group for buying shares of the ultimate controlling parent company of the Group in the market. Those shares would be distributed to the core employees who are approved to be involved in the Plan after certain performance targets are reached.

In 2020, the share-based payment expenses of the core employee stock ownership plan incurred by the Group and the amount of employees' service that the Group exchanged with share-based payment both amounted to RMB 7,556,675.

Note 2: From 2019, the Group implemented the long-term service plan for employees of the Company and its subsidiaries. Participants in long-term service plan can only apply for vesting of plan equity when they retire from the Company, and they will finally be vested after confirmation.

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7 Notes to the consolidated financial statements (Cont'd)
(35) Capital surplus (Cont'd)

Changes in capital surplus related to the long-term service plan are as follows:

	Shareholding through long-term service plan	Value of employees' service	Total
1 January 2020	(106,496,478)	678,345	(105,818,133)
Cost of stock purchase through long-term service plan (i)	(100,437,240)	-	(100,437,240)
Share-based payment expenses (ii)	-	4,229,890	4,229,890
31 December 2020	<u>(206,933,718)</u>	<u>4,908,235</u>	<u>(202,025,483)</u>

(i) The Group gives the legal salaries and performance bonuses of the employees under the Plan to the ultimate controlling parent company of the Group for buying shares of the ultimate controlling parent company of the Group in the market.

(ii) In 2020, the share-based payment expenses of the long-term service plan incurred by the Group and the amount of employees' service that the Group exchanged with share-based payment both amounted to RMB 4,229,890.

(36) Surplus reserve

	The Group		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Balance at the beginning of the year	537,109,439	420,028,990	537,109,439	420,028,990
Appropriation in the current year	<u>195,889,256</u>	<u>117,080,449</u>	<u>195,889,256</u>	<u>117,080,449</u>
Balance at the end of the year	<u>732,998,695</u>	<u>537,109,439</u>	<u>732,998,695</u>	<u>537,109,439</u>

In accordance with the *Law of the People's Republic of China on Foreign-funded Enterprises* and its Implementation Rules, appropriations from net profit should be made to the surplus reserve after offsetting accumulated losses from prior years, and before profit distributions to the investors. The appropriation to the surplus reserve shall be no less than 10% of net profit; however, this is optional when the accumulated appropriation reaches 50% of the registered capital. In 2020, the Group appropriated RMB 195,889,256 (2019: RMB 117,080,449) to the surplus reserve.

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7 Notes to the consolidated financial statements (Cont'd)

(37) Other comprehensive income

The Group

	31 December 2019	Increase in the current year	31 December 2020
Other comprehensive income items which will be reclassified to profit or loss			
- Differences on translation of foreign currency financial statements	(68,376,570)	219,874,664	151,498,094
- Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified to profit and loss	1,874,072	26,432,182	28,306,254
- Effective portion of gains or losses on hedging instruments in a cash flow hedge	(100,787,215)	(26,405,511)	(127,192,726)
	<u>(167,289,713)</u>	<u>219,901,335</u>	<u>52,611,622</u>

The Company

	31 December 2019	Increase in the current year	31 December 2020
Other comprehensive income items which will be reclassified to profit or loss			
- Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified to profit and loss	1,874,072	26,432,182	28,306,254
- Effective portion of gains or losses on hedging instruments in a cash flow hedge	(52,767,060)	(12,225,534)	(64,992,594)
	<u>(50,892,988)</u>	<u>14,206,648</u>	<u>(36,686,340)</u>

(38) Undistributed profits

	The Group		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Undistributed profits at the beginning of the year	10,291,600,610	6,465,850,937	3,718,495,099	3,161,268,248
Changes from initial adoption of new accounting standards (Note 4(27))	(2,344,345)	N/A	(2,692,271)	N/A
Business combination involving enterprises under common control (Note 8)	(66,322)	-	-	-
Retained earnings at the beginning of the year (Restated)	<u>10,289,189,943</u>	<u>6,465,850,937</u>	<u>3,715,802,828</u>	<u>3,161,268,248</u>
Add: Net profit attributable to equity owners of the parent company	3,853,275,488	4,439,327,312	1,922,333,233	1,170,804,490
Less: Appropriation to statutory surplus reserve	(195,889,256)	(117,080,449)	(195,889,256)	(117,080,449)
Less: Interest on perpetual bonds	(628,083,452)	(496,497,190)	(628,083,452)	(496,497,190)
Undistributed profits at the end of the year	<u>13,318,492,723</u>	<u>10,291,600,610</u>	<u>4,814,163,353</u>	<u>3,718,495,099</u>

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7 Notes to the consolidated financial statements (Cont'd)

(39) Revenue

	The Group		The Company	
	2020	2019	2020	2019
Interest income from finance leases	12,936,371,943	13,874,546,599	8,086,793,876	6,872,602,346
Interest income from sale and leaseback transactions	1,826,965,850	N/A	1,145,208,996	N/A
Consulting service fee income	1,875,717,351	2,771,089,760	1,338,508,239	1,143,237,984
Interest income from factoring receivables	1,238,479,210	1,281,293,325	313,332,492	233,732,084
Interest income from entrusted loans	951,941,617	862,134,917	456,650,404	592,385,847
Income from imaging business	219,071,116	113,127,116	-	-
Interest income from banking	159,718,173	226,389,669	99,191,458	166,295,788
Interest income from borrowings to related parties	148,559,520	30,127,391	1,076,459,399	1,528,587,857
Rental income from operating leases	31,290,311	397,127,038	14,151,858	6,055,202
Income from equipment sales	7,290,724	112,307,359	6,969,144	2,717,415
Income from financing guarantees	-	-	56,388,367	104,005,685
Revenue from other main operations	27,989,812	-	6,726,720	-
	<u>19,423,395,627</u>	<u>19,668,143,174</u>	<u>12,600,380,953</u>	<u>10,649,620,208</u>

(40) Cost of sales

	The Group		The Company	
	2020	2019	2020	2019
Interest expenses	7,561,863,511	8,639,918,821	5,716,815,166	6,226,998,922
Fee and commission expenses	1,542,149,733	923,217,803	1,245,019,451	632,189,456
Cost of imaging business	180,782,865	95,155,938	2,703	2,703
Depreciation of fixed assets held under operating leases	40,004,845	167,827,206	-	-
Guarantee fee expenses	8,852,808	20,901,745	8,852,808	20,901,745
Depreciation of investment properties	-	-	8,062,933	7,216,146
Cost of sales from other main operations	4,723,812	-	2,542,937	-
	<u>9,338,377,574</u>	<u>9,847,021,513</u>	<u>6,981,295,998</u>	<u>6,887,308,972</u>

(41) Taxes and surcharges

	The Group		The Company	
	2020	2019	2020	2019
City maintenance and construction tax	29,028,203	36,723,299	10,812,319	13,086,733
Educational surcharge	20,733,500	25,667,353	7,722,190	8,372,398
Stamp tax and others	23,188,550	21,689,167	15,868,920	13,026,432
	<u>72,950,253</u>	<u>84,079,819</u>	<u>34,403,429</u>	<u>34,485,563</u>

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7 Notes to the consolidated financial statements (Cont'd)

(42) Operational and administrative expenses

	The Group		The Company	
	2020	2019	2020	2019
Employee benefits	1,670,045,458	1,671,880,536	982,643,690	1,136,921,391
Consulting fee	265,577,769	210,936,864	204,971,683	168,994,567
Travel expenses	183,171,189	248,286,983	164,607,696	214,274,701
Entertainment expenses	143,479,054	157,962,974	63,429,596	92,962,540
Depreciation of right-of-use assets	116,977,702	N/A	77,639,769	N/A
Labour outsourcing expenses	82,714,621	86,367,820	62,730,015	68,413,365
Advertising expenses	56,365,740	60,214,081	32,387,799	38,740,734
Rental expenses	45,188,112	120,785,992	22,247,362	97,165,413
Amortisation of long-term prepaid expenses	40,124,001	30,278,923	6,055,055	13,787,778
Amortisation of intangible assets	31,393,949	24,944,259	25,725,763	21,736,201
Depreciation of fixed assets	30,754,494	26,739,456	15,014,347	13,402,834
Conference expenses	11,144,703	17,160,536	8,485,924	14,674,324
Others	62,166,093	58,928,548	44,508,117	36,934,626
	<u>2,739,102,885</u>	<u>2,714,486,972</u>	<u>1,710,446,816</u>	<u>1,918,008,474</u>

(43) Other income

The Group

	2020	2019	Assets related/ Income related
Government grants			
Refund of taxes	588,838,954	573,156,355	Income related
Additional deduction of input VAT	1,072,864	615,936	Income related
Refund of service fee for withholding individual income tax	<u>4,719,784</u>	<u>1,317,905</u>	Income related
	<u>594,631,602</u>	<u>575,090,196</u>	

The Company

	2020	2019	Assets related/ Income related
Government grants			
Refund of taxes	68,754,955	50,360,053	Income related
Additional deduction of input VAT	573,946	615,936	Income related
Refund of service fee for withholding individual income tax	<u>3,105,898</u>	<u>256,024</u>	Income related
	<u>72,434,799</u>	<u>51,232,013</u>	

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7 Notes to the consolidated financial statements (Cont'd)

(44) Investment income

	The Group		The Company	
	2020	2019	2020	2019
Long-term equity investments (Note 11(2)(j))	(47,959,967)	410,260,712	43,252,979	467,306,399
Financial assets held for trading	270,217,386	243,372,410	237,066,515	667,835,493
Gains on disposal of subsidiaries	-	246,714,997	-	182,533,653
	<u>222,257,419</u>	<u>900,348,119</u>	<u>280,319,494</u>	<u>1,317,675,545</u>

(45) Gains/(Losses) on changes in fair value

	The Group		The Company	
	2020	2019	2020	2019
Financial assets held for trading	(129,113,059)	(461,332,893)	(108,780,270)	(462,615,780)
Derivative financial instruments	(10,400,919)	11,817,691	(18,858,577)	21,448,290
	<u>(139,513,978)</u>	<u>(449,515,202)</u>	<u>(127,638,847)</u>	<u>(441,167,490)</u>

(46) Credit impairment losses

	The Group		The Company	
	2020	2019	2020	2019
Impairment losses on finance lease receivables	1,249,649,700	1,544,212,371	831,937,416	1,318,835,877
Impairment losses on receivables for sale and leaseback	560,740,441	N/A	377,250,056	N/A
Impairment losses on entrusted loans	443,490,263	232,268,804	191,006,866	68,941,009
Impairment losses on factoring receivables	213,870,221	136,177,344	152,841,036	(50,365,111)
Impairment losses on instalment receivables	302,542	4,072,024	-	-
Impairment losses on accounts receivable	224,295	-	-	-
	<u>2,468,277,462</u>	<u>1,916,730,543</u>	<u>1,553,035,374</u>	<u>1,337,411,775</u>

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7 Notes to the consolidated financial statements (Cont'd)

(47) Asset impairment losses

	The Group		The Company	
	2020	2019	2020	2019
Impairment losses on fixed assets	8,990,660	7,848,367	-	-
Losses on decline in the value of inventories	168,377	(1,977,239)	-	-
	<u>9,159,037</u>	<u>5,871,128</u>	<u>-</u>	<u>-</u>

(48) Income tax expenses

	The Group		The Company	
	2020	2019	2020	2019
Current income tax	1,868,235,135	1,634,784,278	897,018,187	314,971,496
Deferred income tax	(318,001,073)	(86,432,895)	(300,190,468)	(105,285,691)
	<u>1,550,234,062</u>	<u>1,548,351,383</u>	<u>596,827,719</u>	<u>209,685,805</u>

Reconciliation between the enterprise income tax calculated at the statutory tax rate and actual amount is as follows:

	The Group		The Company	
	2020	2019	2020	2019
Profit before tax	<u>5,396,548,037</u>	<u>5,987,065,079</u>	<u>2,519,160,952</u>	<u>1,380,490,295</u>
Income tax calculated at applicable income tax rate of 25%	1,349,137,009	1,496,766,270	629,790,238	345,122,574
Effect of expenses not deductible for tax purposes	18,443,619	18,475,297	8,693,058	12,512,275
Utilisation of previously unrecognised deductible temporary differences	-	(7,364,440)	-	-
Tax losses for which no deferred tax asset was recognised	207,875,774	159,842,993	-	-
Non-taxable income	(46,818,715)	(137,442,396)	(43,599,355)	(137,397,748)
Tax filing difference	5,453,460	(11,465,652)	1,943,778	(10,551,296)
Impact of different tax rates applicable to some subsidiaries	16,142,915	29,539,311	-	-
	<u>1,550,234,062</u>	<u>1,548,351,383</u>	<u>596,827,719</u>	<u>209,685,805</u>

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7 Notes to the consolidated financial statements (Cont'd)

(49) Notes to the cash flow statement

(a) Reconciliation from net profit to cash flows from operating activities

	The Group	
	2020	2019
Net profit	3,846,313,975	4,438,713,696
Add: Asset impairment losses	9,159,037	5,871,128
Credit impairment losses	2,468,277,462	1,916,730,543
Depreciation of fixed assets	131,634,227	227,560,362
Depreciation of right-of-use assets	116,977,702	N/A
Amortisation of intangible assets	31,393,949	24,944,259
Interest expenses of bonds	3,027,266,937	3,034,600,505
Interest expenses on lease liabilities	29,419,485	N/A
Amortisation of prepaid expenses	40,124,001	30,880,904
Gains on disposal of assets	(9,226,718)	(5,342,020)
Investment income	(222,257,419)	(900,348,119)
(Increase)/Decrease in inventories	(19,513,989)	43,350,307
Gains on net exposure hedges	116,005,206	121,521,801
Gains/(Losses) on changes in fair value	139,513,978	449,515,202
Exchange gains or losses	(12,202,955)	24,004,892
Increase in deferred tax assets	(318,800,703)	(126,576,601)
(Decrease)/increase in deferred tax liabilities	(3,222,013)	25,793,387
Increase in operating receivables	(27,836,820,491)	(35,395,033,329)
Increase in operating payables	11,363,951,000	14,432,796,649
Net cash flows used in operating activities	(7,102,007,329)	(11,651,016,434)

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7 Notes to the consolidated financial statements (Cont'd)
(49) Notes to the cash flow statement (Cont'd)
(a) Reconciliation from net profit to cash flows from operating activities (Cont'd)

	The Company	
	2020	2019
Net profit	1,922,333,233	1,170,804,490
Add: Credit impairment losses	1,553,035,374	1,337,411,775
Depreciation of fixed assets	15,014,347	13,402,834
Depreciation of right-of-use assets	77,639,769	N/A
Depreciation of investment properties	8,062,933	7,216,146
Amortisation of intangible assets	25,725,763	21,736,201
Interest expenses of bonds	3,021,206,731	3,034,600,505
Interest expenses on lease liabilities	12,984,395	N/A
Amortisation of long-term prepaid expenses	6,055,055	13,787,778
Investment income	(280,319,494)	(1,317,675,545)
Gains/(Losses) on changes in fair value	127,638,847	441,167,490
Losses on disposal of assets	2,114,310	123,791
Exchange gains or losses	(13,807,227)	(78,431,471)
Gains on net exposure hedges	53,786,673	4,968,915
Increase in deferred tax assets	(303,308,834)	(105,285,692)
Increase in operating receivables	(20,144,038,301)	(17,882,862,161)
Increase in operating payables	7,565,617,112	5,669,802,443
Net cash flows used in operating activities	<u>(6,350,259,314)</u>	<u>(7,669,232,501)</u>

(b) Net increase/(decrease) in cash and cash equivalents

	The Group		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Cash and cash equivalents at the end of the year	14,305,566,058	8,912,836,468	11,103,040,856	5,795,008,270
Less: Cash and cash equivalents at the beginning of the year	<u>(8,912,836,468)</u>	<u>(18,193,669,428)</u>	<u>(5,795,008,270)</u>	<u>(11,943,463,280)</u>
Net increase/(decrease) in cash and cash equivalents	<u>5,392,729,590</u>	<u>(9,280,832,960)</u>	<u>5,308,032,586</u>	<u>(6,148,455,010)</u>

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7 Notes to the consolidated financial statements (Cont'd)
(49) Notes to the cash flow statement (Cont'd)
(c) Cash and cash equivalents

	The Group		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Cash at bank and on hand (Note 7(1))	14,826,945,738	10,381,275,732	11,506,943,095	6,647,499,426
Add: Cash equivalents	499,900,000	-	499,900,000	-
Less: Restricted cash at bank	(1,021,279,680)	(1,468,439,264)	(903,802,239)	(852,491,156)
Cash and cash equivalents at the end of the year	<u>14,305,566,058</u>	<u>8,912,836,468</u>	<u>11,103,040,856</u>	<u>5,795,008,270</u>

(d) Cash paid relating to other operating activities

Cash paid relating to other operating activities in the cash flow statement mainly includes:

	The Group		The Company	
	2020	2019	2020	2019
Fee and commission expenses	1,137,117,656	923,217,803	839,987,375	632,189,456
Auto financing rebates	989,934,079	-	945,092,996	-
Travel expenses	183,171,189	248,286,983	164,607,696	214,274,701
Consulting fee	265,577,769	210,936,864	204,971,683	168,994,567
Entertainment expenses	143,479,054	157,962,974	63,429,596	92,962,540
Rental expenses	45,188,112	120,785,992	22,247,362	97,165,413
Labour outsourcing expenses	82,714,621	86,367,820	62,730,015	68,413,365
Advertising expenses	56,365,740	60,214,081	32,387,799	38,740,734
Guarantee fees	8,852,808	20,901,745	8,852,808	20,901,745
Related-party borrowings and expenses paid by related parties on behalf of the Company/Group	-	-	-	17,563,333,031
Others	10,314,171	175,951,774	7,252,122	65,362,907
	<u>2,922,715,199</u>	<u>2,004,626,036</u>	<u>2,351,559,452</u>	<u>18,962,338,459</u>

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8 Business combinations

Business combinations involving enterprises under common control

Cost of combination is listed below:

On 29 May 2020, the Group acquired 100% of the equity interests in Shanghai Xiaohong Network Technology Co., Ltd. from Shanghai Haoyicai Network Technology Co., Ltd. The acquisition date of this transaction is 29 May 2020, on which the Group effectively obtained the power to control Shanghai Xiaohong Network Technology Co., Ltd. This transaction is classified as a business combination involving enterprises under common control as Shanghai Xiaohong Network Technology Co., Ltd. and the Group were controlled by Ping An Group prior and subsequent to the combination and the control was not temporary.

Details of net assets obtained and goodwill recognised are as follows:

Cost of combination -	
Cash paid	10,000
Total cost of combination	<u>10,000</u>

The assets and liabilities of Shanghai Xiaohong Network Technology Co., Ltd. at the combination date, and the cash flows relating to the acquisition are as follows:

	<u>Carrying amount</u> Combination date	<u>Carrying amount</u> 31 December 2019
Cash at bank and on hand	10,958	310,202
Less: Other payables	78,972	377,627
Taxes payable	(1,103)	(1,103)
Net assets obtained	<u>(66,911)</u>	<u>(66,322)</u>

Revenue, net profit and cash flows of Shanghai Xiaohong Network Technology Co., Ltd. for the period from 1 January 2020 to the combination date are as follows:

For the period from 1 January 2020
to the combination date

Revenue	-
Net profit	(589)
Cash flows from operating activities	(299,244)
Net cash flows	(299,244)

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9 Interests in structured entities

(1) Unconsolidated structured entities

(a) Unconsolidated structured entities managed by the Group

As at 31 December 2020, unconsolidated structured entities managed by the Group amounted to RMB 648,728,500. As at 31 December 2020, PAAC, as a limited partner, held 30% of shares of the limited partnership in Clover Investment L.P. The Group has no significant influence over Clover Investment L.P., and accordingly accounts Clover Investment L.P. as other non-current financial assets (Note 7(13)).

(b) Unconsolidated structured entities invested by the Group

As at 31 December 2020, unconsolidated structured entities invested by the Group, amounted to RMB 3,687,940,636 (31 December 2019: RMB 8,902,245,843), mainly included funds, wealth management products entrusted by the Group to an asset management company and third-party trust investments purchased by the Group. Among them, for the wealth management products under entrusted investment, the Group, as the principal, signed the *Entrusted Investment Management Agreement* with the trustee, and the trustee uses entrusted assets to engage in investment and management of various portfolios of financial instruments in the financial market to achieve revenue maximisation of entrusted assets. For trust investments, the Group, as the trustee, delivers funds to trust institutions; and the trustee manages, uses and disposes the trust property in accordance with the provisions of the signed contract to obtain investment income for the principal.

In 2020, the Group did not provide financial support to these structured entities (2019: Nil).

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9 Interests in structured entities (Cont'd)
(1) Unconsolidated structured entities (Cont'd)
(b) Unconsolidated structured entities invested by the Group (Cont'd)

The carrying amount (including interest receivable) of and the maximum loss exposure (Note 7(2) and Note 7(13)) arising from the Group's investment in unconsolidated structured entities are as follows:

31 December 2020	Unconsolidated structured entities			
	Total assets	Carrying amount	The Company's maximum risk exposure	Nature of interests held by the Group
Funds	(Note)	2,624,348,555	2,624,348,555	Investment income
Wealth management products investments	(Note)	514,073,105	514,073,105	Investment income
Trust investments	(Note)	549,518,976	549,518,976	Investment income
Total	(Note)	3,687,940,636	3,687,940,636	

31 December 2019	Unconsolidated structured entities			
	Total assets	Carrying amount	The Company's maximum risk exposure	Nature of interests held by the Group
Funds	(Note)	5,658,091,489	5,658,091,489	Investment income
Wealth management products investments	(Note)	2,535,906,795	2,535,906,795	Investment income
Trust investments	(Note)	708,247,559	708,247,559	Investment income
Total	(Note)	8,902,245,843	8,902,245,843	

Note: The above information on the scale of the above products is non-public.

(2) Consolidated structured entities

In the business of asset-backed securitisation, the Group entrusts part of long-term receivables to an asset management company and sets up specific purpose asset management plans. The asset management company issues asset-backed securities based on the cash flows generated from long-term receivables. The Group acts as an asset service institution to manage and collect long-term receivables, and holds part of the asset-back securities issued. As at 31 December 2020, the maximum loss exposure of consolidated specific purpose asset management plans is asset-backed securities initiated by the SPTs and held by the Group, which amounted to RMB 7,237 million (31 December 2019: RMB 5,175 million) and were presented as long-term receivables.

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10 Commitments

(1) Capital commitments

Capital expenditures contracted for by the Group but are not yet necessary to be recognised on the balance sheet as at the balance sheet date are as follows:

	31 December 2020	31 December 2019
Vehicles purchased	<u>188,817,700</u>	<u>227,443,700</u>

(2) Facility commitments

As at 31 December 2020, the Group had a finance lease commitment of RMB 3,601,018,582 (31 December 2019: RMB 3,503,130,664). The finance lease commitment can be cancelled by the Group after a certain period, or automatically cancelled in accordance with the relevant financing lease contract if the lessee's repayment ability deteriorates. The total contractual amount of the finance lease commitment does not necessarily represent the future cash outflow.

11 Related parties and related party transactions

(1) The parent company and subsidiaries

The general information and other related information of the subsidiaries are set out in Note 6.

(a) General information of the parent company

Name	Place of registration
Ping An Group	Shenzhen, PRC

Ping An Group was incorporated in Shenzhen, the People's Republic of China on 21 March 1988. The scope of business of Ping An Group includes life insurance, property insurance, trust business, securities, banking and other business.

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11 Related parties and related party transactions (Cont'd)

(1) The parent company and subsidiaries (Cont'd)

(b) Registered capital and changes in registered capital of the parent company

In RMB million	31 December 2020	31 December 2019
Ping An Group	<u>18,280</u>	<u>18,280</u>

(c) The percentages of shareholding and voting rights in the Group held by the parent company

	31 December 2020		31 December 2019	
	Shareholding (%)	Voting rights (%)	Shareholding (%)	Voting rights (%)
Ping An Group	<u>69.44%</u>	<u>69.44%</u>	<u>69.44%</u>	<u>69.44%</u>

(d) Nature of related parties that do not control/ are not controlled by the Company

Name of entity	Relationship with the Group
HealthKconnect Medical and Health Technology Management Company (HK) Limited	Associate of the parent company
Shanghai Anyitong E-Commerce Co., Ltd.	Controlled by the same parent company
Shanghai Lanhai Countryside Club Co., Ltd.	Controlled by the same parent company
China Ping An Life Insurance Co., Ltd.	Controlled by the same parent company
Ping An Property & Casualty Insurance Company of China, Ltd.	Controlled by the same parent company
An Ke Technology Company Limited	Consolidated structured entity of the parent company
Changzhou Pingsheng Equity Investment Fund LLP	Associate of the parent company
Ping An Wanjia Healthcare Investment Management Co., Ltd.	Controlled by the same parent company
Ping An Pay Intelligence Technology Co., Ltd.	Associate of the parent company
Ping An Health Cloud Company Limited	Controlled by the same parent company
Ping An Annuity Insurance Company Ltd.	Associate of the parent company
Ping An Medical and Healthcare Management Co., Ltd.	Associate of the parent company
Ping An Dianchuang International Financial Leasing Co., Ltd.	Controlled by the same parent company
Ping An Direct Consultancy Co., Ltd.	Controlled by the same parent company
Ping An Technology (Shenzhen) Co., Ltd.	Controlled by the same parent company
Ping An Securities Co., Ltd.	Controlled by the same parent company
Ping An Assets Management Co., Ltd.	Controlled by the same parent company
Ping An Bank Co., Ltd.	Controlled by the same parent company

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11 Related parties and related party transactions (Cont'd)

(1) The parent company and subsidiaries (Cont'd)

(d) Nature of related parties that do not control/ are not controlled by the Company (Cont'd)

Name of entity	Relationship with the Group
Guangzhou Pingan Haoyi Medical Examination Laboratory Co., Ltd.	Joint venture
Wuhan Pingan Haoyi Medical Examination Laboratory Co., Ltd.	Joint venture
Hefei Pingan Haoyi Medical Examination Co., Ltd.	Joint venture
Shenzhen Pingan Haoyi Examination Holdings Co., Ltd.	Joint venture
Shenzhen Ping An Haoyi Medical Examination Laboratory	Joint venture
	Controlled by the same parent company
Jieyin International Travel Agency (Shanghai) Co., Ltd.	Controlled by the same parent company
Shenzhen Wanlitong Internet & Information Technology Co., Ltd.	Controlled by the same parent company
Shenzhen Qianhai Financial Assets Exchange Co., Ltd.	Associate of the parent company
Shenzhen One Connect Intelligence Technology Company Ltd.	Associate of the parent company
Shenzhen Ping An HuiFu Asset Management Co., Ltd.	Associate of the parent company
	Controlled by the same parent company
Shenzhen Ping An Integrated Financial Services Co., Ltd.	Controlled by the same parent company
Shenzhen Pingan Communication Technology Co., Ltd.	Controlled by the same parent company
Ping An Financial Centre Construction & Development Co., Ltd.	company
Shenzhen Pingke Information Consulting Co., Ltd.	Associate
Zhuhai Yirongtong Asset Management Co., Ltd.	Associate of the parent company
Hong Kong Zhongjiahe Co., Ltd.	Associate of the parent company
	Controlled by the same parent company
Ping An Technology (Shenzhen) Co., Ltd.	
Nanchang Pingan Haoyi Medical Examination Laboratory Co., Ltd.	Joint venture
Shenzhen Qianhai Jinxuan Investment Co., Ltd.	Associate
	Controlled by the same parent company
Shenzhen Qianhai Yizhangtong Asset Management Co., Ltd.	company

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11 Related parties and related party transactions (Cont'd)

(1) The parent company and subsidiaries (Cont'd)

(2) Significant related party transactions

(a) Pricing policies

Related party transactions of the Group mainly comprise capital and business transactions with related parties and advances. Pricing on capital and business transactions with related parties is negotiated by both parties. Operational and administrative expenses paid by the Group on behalf of related parties are calculated based on the cost and expenses attributable to businesses of related parties.

(b) Interest income

The Group		
	2020	2019
Ping An Dianchuang International Financial Leasing Co., Ltd.	103,637,154	36,385,646
Ping An Bank Co., Ltd.	12,848,684	15,896

The Company		
	2020	2019
Ping An Dianchuang International Financial Leasing Co., Ltd.	79,885,129	25,406,816
Ping An Commercial Factoring Co., Ltd.	20,702,170	125,284,788
Ping An Bank Co., Ltd.	12,847,986	-
Ping An International Financial Leasing (Tianjin) Co., Ltd.	-	2,347,586
Ping An Haoyi Investment Management Co., Ltd.	-	6,338,278

(c) Service fee income

The Group		
	2020	2019
Ping An Medical and Healthcare Management Co., Ltd.	7,185,074	3,132,160
Ping An Health Cloud Company Limited	2,854,529	-

The Company		
	2020	2019
Ping An Dianchuang International Financial Leasing Co., Ltd.	-	94,734,176

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11 Related parties and related party transactions (Cont'd)

(2) Significant related party transactions (Cont'd)

(d) Income from imaging business

The Group		
	2020	2019
Ping An Health Cloud Company Limited	24,492,286	15,177,649
Shenzhen Ping An Haoyi Medical Examination Laboratory	-	11,974,046

(e) Interest expenses

The Group		
	2020	2019
Ping An Bank Co., Ltd.	99,408,061	201,877,003
Ping An Dianchuang International Financial Leasing Co., Ltd.	7,335,347	1,233,466
An Ke Technology Company Limited	-	9,672,683

The Company		
	2020	2019
Ping An Bank Co., Ltd.	99,408,062	195,207,596
Ping An International Financial Leasing (Tianjin) Co., Ltd.	30,405,918	-
Ping An International Financial Leasing (Shenzhen) Co., Ltd.	6,516,528	1,012,264
Ping An Haoyi Investment Management Co., Ltd.	-	2,930,208

(f) Cost of imaging business

The Group		
	2020	2019
Wuhan Pingan Haoyi Medical Examination Laboratory Co., Ltd.	8,595,179	-
Chengdu Ping An Haoyi Medical Examination and Testing Co., Ltd.	2,201,138	-
Ping An Wanjia Healthcare Investment Management Co., Ltd.	-	6,389,814

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11 Related parties and related party transactions (Cont'd)

(2) Significant related party transactions (Cont'd)

(g) Fee and commission expenses

The Group		
	2020	2019
Ping An Securities Co., Ltd.	55,012,120	27,148,932
Ping An Pay Intelligence Technology Co., Ltd.	41,758,407	31,402,220
Ping An Bank Co., Ltd.	35,498,853	27,565,772
Ping An Annuity Insurance Company Ltd.	20,265,484	12,432,886
Ping An Dianchuang International Financial Leasing Co., Ltd.	15,201,063	-
Shenzhen One Connect Intelligence Technology Company Ltd.	12,432,062	7,667,227
Shenzhen Ping An Integrated Financial Services Co., Ltd.	9,715,387	451,868
Ping An Medical and Healthcare Management Co., Ltd.	9,556,733	3,538,679
Ping An Property & Casualty Insurance Company of China, Ltd.	8,792,792	4,488,039
Hong Kong Zhongjiahe Co., Ltd.	-	11,331,582
Shenzhen Qianhai Financial Assets Exchange Co., Ltd.	-	6,798,949
Zuhai Yirongtong Asset Management Co., Ltd.	-	3,016,332
The Company		
	2020	2019
Ping An Securities Co., Ltd.	47,922,158	23,039,499
Ping An Bank Co., Ltd.	16,409,714	12,554,111
Ping An Dianchuang International Financial Leasing Co., Ltd.	15,201,063	-
Shenzhen One Connect Intelligence Technology Company Ltd.	12,432,062	7,664,085
Shenzhen Ping An Integrated Financial Services Co., Ltd.	9,715,387	451,868
Ping An Medical and Healthcare Management Co., Ltd.	9,556,733	3,538,679
Ping An Property & Casualty Insurance Company of China, Ltd.	8,792,792	1,523,803
Ping An Annuity Insurance Company Ltd.	7,772,522	4,647,949
(h) Guarantee fee expenses		
The Group and the Company		
	2020	2019
Ping An Group	8,852,808	20,901,745

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11 Related parties and related party transactions (Cont'd)

(2) Significant related party transactions (Cont'd)

(i) Operational and administrative expenses

The Group	2020	2019
Ping An Technology (Shenzhen) Co., Ltd.	51,766,890	37,389,373
Shenzhen Pingan Communication Technology Co., Ltd.	41,148,184	41,744,520
Ping An Group	29,405,660	22,812,031
Shenzhen Ping An Integrated Financial Services Co., Ltd.	28,331,419	24,498,652
Shenzhen One Connect Intelligence Technology Company Ltd.	16,791,351	6,466,432
Ping An Health Cloud Company Limited	5,432,422	5,078,850
Shenzhen Wanlitong Internet & Information Technology Co., Ltd.	4,038,177	9,041,186
Ping An Financial Centre Construction & Development Co., Ltd.	3,325,816	8,108
Jieyin International Travel Agency (Shanghai) Co., Ltd.	2,772,856	1,376,618
Shanghai Anyitong E-Commerce Co., Ltd.	2,102,513	656,891
Ping An Direct Consultancy Co., Ltd.	283,662	2,183,666
Ping An Annuity Insurance Company Ltd.	-	2,201,832
The Company	2020	2019
Ping An Technology (Shenzhen) Co., Ltd.	38,454,987	28,567,425
Ping An Group	29,405,660	22,812,031
Shenzhen Pingan Communication Technology Co., Ltd.	24,328,353	30,032,457
Shenzhen Ping An Integrated Financial Services Co., Ltd.	21,298,340	20,038,342
Shenzhen One Connect Intelligence Technology Company Ltd.	16,721,809	6,466,432
Ping An Health Cloud Company Limited	4,166,674	2,662,783
Shenzhen Wanlitong Internet & Information Technology Co., Ltd.	3,884,336	8,474,876
Ping An Financial Centre Construction & Development Co., Ltd.	3,325,816	-
Jieyin International Travel Agency (Shanghai) Co., Ltd.	2,666,573	1,376,618
Ping An Direct Consultancy Co., Ltd.	283,662	2,183,666

The above operational and administrative expenses mainly refer to advisory fees and service outsourcing fees.

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11 Related parties and related party transactions (Cont'd)

(2) Significant related party transactions (Cont'd)

(j) Investment income

The Group	2020	2019
Wealth management products managed by Shenzhen Ping An HuiFu Asset Management Co., Ltd.	63,913,889	134,847,222
Wealth management products issued and managed by Ping An Bank Co., Ltd.	6,738,092	12,842,497
Long-term equity investments		
- Shenzhen Pingke Information Consulting Co., Ltd.	40,043,360	467,306,399
- Shenzhen Qianhai Jinxuan Investment Co., Ltd.	3,209,619	-
- Shenzhen Ping An Haoyi Medical Examination Laboratory	(91,212,946)	(57,045,687)
Sub-total	(47,959,967)	410,260,712
Disposal of Ping An Dianchuang International Financial Leasing Co., Ltd.	-	182,533,653
The Company	2020	2019
Wealth management products managed by Shenzhen Ping An HuiFu Asset Management Co., Ltd.	63,913,889	134,847,222
Long-term equity investments		
- Shenzhen Pingke Information Consulting Co., Ltd.	40,043,360	467,306,399
- Shenzhen Qianhai Jinxuan Investment Co., Ltd.	3,209,619	-
Sub-total	43,252,979	467,306,399
Wealth management products issued and managed by Ping An Bank Co., Ltd.	6,738,092	12,842,497
Disposal of Ping An Dianchuang International Financial Leasing Co., Ltd.	-	182,533,653

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11 Related parties and related party transactions (Cont'd)

(3) Receivables from and payables to related parties

(a) Cash at bank

The Group	31 December 2020	31 December 2019
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Ping An Bank Co., Ltd.	2,908,272,533	1,821,758,854
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The Company	31 December 2020	31 December 2019
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Ping An Bank Co., Ltd.	1,906,002,021	1,592,451,822
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(b) Financial assets held for trading

The Group and the Company	31 December 2020	31 December 2019
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Wealth management products managed by Shenzhen Ping An HuiFu Asset Management Co., Ltd.	-	2,008,503,136
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Structured deposits and monetary funds issued and managed by Ping An Bank Co., Ltd.	-	1,500,000,000
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(c) Other non-current financial assets

The Group and the Company	31 December 2020	31 December 2019
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Wealth management products managed by Changzhou Pingsheng Equity Investment Fund LLP	24,653,913	18,928,860
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11 Related parties and related party transactions (Cont'd)

(3) Receivables from and payables to related parties (Cont'd)

(d) Advances from customers

The Group	31 December 2020	31 December 2019
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Ping An Medical and Healthcare Management Co., Ltd.	613,424	3,903,424
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The Company	31 December 2020	31 December 2019
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Ping An Medical and Healthcare Management Co., Ltd.	613,424	613,424
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(e) Advances to suppliers

The Group and the Company	31 December 2020	31 December 2019
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Shanghai Lanhai Countryside Club Co., Ltd.	715,763	715,763
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(f) Accounts receivable

The Group	31 December 2020	31 December 2019
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Ping An Health Cloud Company Limited	1,669,855	8,460,257
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(g) Notes receivable

The Group and the Company	31 December 2020	31 December 2019
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Ping An Bank Co., Ltd.	30,108,407	111,678,000
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11 Related parties and related party transactions (Cont'd)

(3) Receivables from and payables to related parties (Cont'd)

(h) Long-term receivables

The Group	31 December 2020	31 December 2019
Ping An Dianchuang International Financial Leasing Co., Ltd.	7,070,260,981	5,569,996,086
Shenzhen Pingke Information Consulting Co., Ltd.	2,000,533,333	-
The Company	31 December 2020	31 December 2019
Ping An Dianchuang International Financial Leasing Co., Ltd.	5,985,855,625	1,234,676,170
Shenzhen Pingke Information Consulting Co., Ltd.	2,000,533,333	-
Ping An Haoyi Chongqing Medical Imaging Centre	43,653,848	52,194,927
Hefei Ping An Haoyi Medical Imaging Centre	36,802,500	44,003,482
Wuhan Ping An Haoyi Medical Imaging Diagnoses Centre Co., Ltd.	29,619,823	39,528,552
Guangzhou Ping An Haoyi Medical Imaging Diagnoses Co., Ltd.	21,162,995	24,846,841
Nanchang Ping An Haoyi Medical Imaging Centre	17,228,420	26,593,353
Xiangyang Ping An Haoyi Medical Imaging Co., Ltd.	16,536,836	22,373,644
Ping An Haoyi Xiangyang Polyclinic Co., Ltd.	4,495,942	5,391,192
Nanchang Ping An Haoyi Health Examination Centre	4,029,237	4,920,860
Ping An Haoyi (Wuhan) Polyclinic Co., Ltd.	3,832,463	4,681,135
Ping An Commercial Factoring Co., Ltd.	-	1,717,164,542
Nanchang Wangying Industrial Development Co., Ltd.	-	107,572,510

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11 Related parties and related party transactions (Cont'd)

(3) Receivables from and payables to related parties (Cont'd)

(i) Other receivables

The Group	31 December 2020	31 December 2019
Shenzhen Pingke Information Consulting Co., Ltd.	618,669,246	-
Shenzhen Pingan Haoyi Examination Holdings Co., Ltd.	92,912,912	89,169,975
Ping An Technology (Shenzhen) Co., Ltd.	40,139,174	18,981,709
Shenzhen Ping An Haoyi Medical Examination Laboratory	33,726,844	14,263,885
Ping An Medical and Healthcare Management Co., Ltd.	13,021,264	3,867,956
Guangzhou Pingan Haoyi Medical Examination Laboratory Co., Ltd.	11,295,430	10,679,153
Wuhan Pingan Haoyi Medical Examination Laboratory Co., Ltd.	8,425,897	5,176,793
Hefei Pingan Haoyi Medical Examination Co., Ltd.	7,969,492	5,167,838
Ping An Dianchuang International Financial Leasing Co., Ltd.	3,574,752	4,488,385,407
HealthKconnect Medical and Health Technology Management Company (HK) Limited	-	621,689,097

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11 Related parties and related party transactions (Cont'd)

(3) Receivables from and payables to related parties (Cont'd)

(i) Other receivables (Cont'd)

The Company

	31 December 2020	31 December 2019
Ping An International Financial Leasing (Tianjin) Co., Ltd.	27,213,441,728	34,591,875,945
Ping An Cheguanjia Auto Lease Co., Ltd.	2,232,601,992	1,939,523,208
Ping An Haoyi Investment Management Co., Ltd.	867,601,581	49,907,482
Ping An Commercial Factoring Co., Ltd.	675,994,463	264,431,611
Shenzhen Pingke Information Consulting Co., Ltd.	618,669,246	-
Nanchang Wangying Industrial Development Co., Ltd.	111,308,267	-
Ping An Technology (Shenzhen) Co., Ltd.	28,846,721	18,981,709
Ping An Leasing Hong Kong Holdings Limited	8,927,713	9,607,120
Ping An Medical and Healthcare Management Co., Ltd.	7,667,712	535,299
Nanchang Ping An Haoyi Medical Imaging Centre	5,824,812	5,440,399
Hefei Ping An Haoyi Medical Imaging Centre	5,069,262	4,320,260
Ping An Haoyi (Wuhan) Polyclinic Co., Ltd.	4,689,544	3,910,289
Ping An International Financial Leasing (Shenzhen) Co., Ltd.	4,664,656	603,898,624
Chongqing Ping An Haoyi Jingwei Polyclinic Co., Ltd.	4,525,761	3,635,407
Wuhan Ping An Haoyi Medical Imaging Diagnoses Centre Co., Ltd.	4,413,920	3,963,328
Ping An Haoyi Xiangyang Polyclinic Co., Ltd.	4,112,904	3,359,214
Ping An Haoyi Chongqing Medical Imaging Centre	3,668,328	3,110,954
Ping An Dianchuang International Financial Leasing Co., Ltd.	3,574,752	4,488,385,407
Wuhan Pingan Haoyi Medical Examination Laboratory Co., Ltd.	3,249,225	2,737,307
Guangzhou Pingan Haoyi Medical Examination Laboratory Co., Ltd.	3,017,030	2,401,478
Hefei Pingan Haoyi Medical Examination Co., Ltd.	2,795,492	2,307,156
Nanchang Ping An Haoyi Polyclinic Co., Ltd.	2,728,438	2,352,877
Xiangyang Ping An Haoyi Medical Imaging Co., Ltd.	2,704,997	2,341,605
Guangzhou Ping An Haoyi Health Examination Centre	2,455,658	1,804,891
Shenyang Heping Ping An Haoyi Polyclinic Co., Ltd.	2,314,128	716,469
Guangzhou Ping An Haoyi Medical Imaging Diagnoses Co., Ltd.	2,173,459	1,926,738
HealthKonnnect Medical and Health Technology Management Company (HK) Limited	-	466,266,827

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11 Related parties and related party transactions (Cont'd)

(3) Receivables from and payables to related parties (Cont'd)

(j) Other payables

The Group	31 December 2020	31 December 2019
Ping An Pay Intelligence Technology Co., Ltd.	10,749,471	25,352,497
Ping An Dianchuang International Financial Leasing Co., Ltd.	9,072,913	5,172
Shenzhen Ping An Integrated Financial Services Co., Ltd.	8,564,732	6,370,719
Shenzhen Qianhai Yizhangtong Asset Management Co., Ltd.	8,321,801	-
Ping An Technology (Shenzhen) Co., Ltd.	6,979,005	6,400,618
Shenzhen Pingan Communication Technology Co., Ltd.	5,300,544	4,128,587
China Ping An Life Insurance Co., Ltd.	4,968,807	3,992,101
Ping An Bank Co., Ltd.	772,109	5,168,913
Ping An Medical and Healthcare Management Co., Ltd.	389,825	3,904,904
The Company	31 December 2020	31 December 2019
Ping An International Financial Leasing (Shenzhen) Co., Ltd.	180,564,631	1,986
Ping An International Financial Leasing (Tianjin) Co., Ltd.	99,512,748	15,326,044
Ping An Pay Intelligence Technology Co., Ltd.	10,716,509	25,055,508
Ping An Aviation Capital Company Limited	9,894,406	10,200,508
Ping An Dianchuang International Financial Leasing Co., Ltd.	9,072,913	5,172
Shenzhen Qianhai Yizhangtong Asset Management Co., Ltd.	8,321,801	-
Ping An Commercial Factoring Co., Ltd.	7,968,027	7,378,257
Shenzhen Ping An Integrated Financial Services Co., Ltd.	7,572,867	5,590,122
Ping An Technology (Shenzhen) Co., Ltd.	3,712,418	4,930,747
China Ping An Life Insurance Co., Ltd.	3,605,247	3,288,846
Ping An Leasing Hong Kong Holdings Limited	2,592,205	2,771,497
Shenzhen Pingan Communication Technology Co., Ltd.	2,082,280	3,247,857
Ping An Medical and Healthcare Management Co., Ltd.	121,801	3,871,801
Ping An Bank Co., Ltd.	72,517	4,472,517

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11 Related parties and related party transactions (Cont'd)

(3) Receivables from and payables to related parties (Cont'd)

(k) Long-term payables

The Group	31 December 2020	31 December 2019
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Ping An Dianchuang International Financial Leasing Co., Ltd.	130,832,822	78,008,130
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The Company	31 December 2020	31 December 2019
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Ping An International Financial Leasing (Tianjin) Co., Ltd.	794,230,899	-
Ping An Leasing Hong Kong Holdings Limited	65,474,753	65,474,753
Ping An Dianchuang International Financial Leasing Co., Ltd.	49,040,000	-
Wuhan Ping An Haoyi Medical Imaging Diagnoses Centre Co., Ltd.	5,988,367	5,988,367
Ping An Haoyi Chongqing Medical Imaging Centre	5,463,767	5,463,767
Nanchang Ping An Haoyi Medical Imaging Centre	5,143,517	5,143,517
Hefei Ping An Haoyi Medical Imaging Centre	4,607,514	4,607,514
Xiangyang Ping An Haoyi Medical Imaging Co., Ltd.	3,467,940	3,467,940
Guangzhou Ping An Haoyi Medical Imaging Diagnoses Co., Ltd.	2,409,141	2,409,141

(l) Long-term borrowings

The Group	31 December 2020	31 December 2019
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Ping An Assets Management Co., Ltd.	-	14,692,176,111
Ping An Bank Co., Ltd.	-	4,958,694

The Company	31 December 2020	31 December 2019
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Ping An Assets Management Co., Ltd.	-	2,829,478,212
Ping An Bank Co., Ltd.	-	4,958,694

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11 Related parties and related party transactions (Cont'd)

(3) Receivables from and payables to related parties (Cont'd)

(m) Short-term borrowings

The Group	31 December 2020	31 December 2019
Shenzhen Qianhai Jinxuan Investment Co., Ltd.	200,287,778	-

(n) Notes payable

The Group	31 December 2020	31 December 2019
Ping An Bank Co., Ltd.	859,165,800	640,000
The Company	31 December 2020	31 December 2019
Ping An Bank Co., Ltd.	134,665,866	640,000

(o) Guarantees received from related parties

The Group and the Company	31 December 2020	31 December 2019
Ping An Group	1,005,710,000	5,138,790,000

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12 Financial risk management

1 Overview of financial risk management

The Group is exposed to a variety of financial risks during its operating activities, and it analyses, evaluates, accepts and manages certain extent of such risks or group of risks. Financial risk management is critical to the industry in which the Group operates, and business operation certainly gives rise to financial risks. The Group's is aimed at achieving an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial statements.

The Group's risk management policies are designed to identify and analyse related risks, so as to set appropriate risk limits and controls, and to monitor the risks and limits through appropriate control processes.

The senior management of the Company designs risk management policies and procedures, which cover credit risk, market risk, liquidity risk, etc. After the policies and procedures are approved by the Board of Directors, they will be implemented by the Business Department, Finance Department, Treasury Department, and Risk Control Department under the guidance of Risk Management Executive Committee.

The Group is mainly exposed to credit risk, market risk and liquidity risk. Market risk mainly refers to exchange rate risk and interest rate risk.

2 Credit risk

Credit risks refer to the risk of losses incurred by the inabilities of debtors or counterparties to fulfil their contractual obligations or by the adverse changes in their credit conditions.

(1) Credit risk management

Credit risk is managed on the grouping basis by the Group. Credit risk mainly arises from long-term receivables, deposits at commercial banks, financial assets held under resale agreements, notes receivable, accounts receivable and other receivables.

(i) Deposits at commercial banks

The deposits at commercial banks of the Group are primarily placed with the related party, Ping An Bank Co., Ltd. ("Ping An Bank"), state-owned commercial banks and large-scale listed commercial banks. The Group assessed that the risk of default is minimal.

(ii) Notes receivable, accounts receivable, long-term receivables and other receivables

The Group adopts standardised management for the whole business procedure of long-term receivables, including project investigation and declaration, examination and approval, the distribution of credit assets, monitoring in the subsequent period and management of non-performing long-term receivables. Through risk classification system, credit risk management policies and procedures, business information system, business investment management and asset portfolio optimisation, the Group is able to identify, monitor and manage the credit risk at each link in a timely and effective manner.

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12 Financial risk management (Cont'd)

2 Credit risk (Cont'd)

(1) Credit risk management (Cont'd)

(ii) Notes receivable, accounts receivable, long-term receivables and other receivables (Cont'd)

Changes in economic environment or long-term receivables in a particular industry of the asset portfolios may result in losses to the Group. Credit risks in the balance sheets are mainly from long-term receivables. At present, the majority of the Group's operating activities are carried out in Mainland China but different regions of Mainland China have their unique economic characteristics. As a result, the management monitors credit risk prudently. The Group's Business Department and Risk Control Department are responsible for monitoring credit risk and the monitored results would be reported to the management periodically. The Group has established related mechanism to set up line of credit risk which is bearable for individual debtor. Meanwhile, the Group regularly monitors the aforesaid line of credit risk, and implements asset classification confirmation on a quarterly basis.

The Group practised asset classification by forming administrative measures for classification of loan assets, and adopting different policies for different levels of assets, in order to reveal the accurate risk profile of loan asset in a timely manner, regulate standards, methods and procedures of asset classification, enhance the ability to resist and revolve asset risks, improve asset quality and secure the assets.

- Classification of assets of corporate business: according to the possibility of assets being recovered on time and in full or incurring loss, assets can be categorised into 10 types - Pass (Pass One, Pass Two, Pass Three, Pass Four, Pass Five), Special Mention (Special Mention One, Special Mention Two), Substandard, Doubtful, and Loss.
- Classification of assets of retail business: according to the possibility of assets being recovered on time and in full or incurring loss, assets can be categorised into 7 types - Pass, Special Mention (Special Mention One, Special Mention Two, Special Mention Three), Substandard, Doubtful, and Loss.

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12 Financial risk management (Cont'd)

2 Credit risk (Cont'd)

(1) Credit risk management (Cont'd)

(ii) Notes receivable, accounts receivable, long-term receivables and other receivables (Cont'd)

The Group adopts different receivables write-off policies for different customers. For corporate customers, receivables are written off after the execution procedures are terminated (suspended) by a court's verdict, for which the creditor's rights have not been recovered, or the execution procedures are difficult to be carried out though the debtors and guarantors have properties available, after appealing to the law, obtaining effective judgements of the court, and debtors and guarantors entering the enforcement proceeding for 1 year or more. For small and micro financial customers, receivables are written off if the corporate loans of which the asset balance of a single customer is less than RMB 500,000, and the creditor's rights have not been recovered for 1 year or more after the actual overdue date. For corporate loans of which the asset balance of a single customer is between RMB 500,000 to RMB 10,000,000, receivables are written off and posted to written-off accounts for subsequent management in accordance with the principle of "write-off accounts with records" if the creditor's rights of medium-sized and small enterprises have not been recovered for 1 year or more after the actual overdue date. For individual customers engaged in leases of cars and consumption lease, receivables are written off if the creditor's rights (or core rental objects) have not been recovered when the single risk exposure is no more than RMB 500,000, and the number of overdue days reaches or exceeds 181 days, or if there are still unrecoverable remaining creditor's rights when core rental objects are taken back and disposed. For single individual customers of which the asset balance is between RMB 500,000 to RMB 5,000,000, receivables are written off and posted to written-off accounts for subsequent management in accordance with the principle of "write-off accounts with records" if the creditor's rights (or core rental objects) have not been recovered after more than 2 rounds of debt collections and the number of overdue days reaches or exceeds 181 days since the actual overdue, or if there are still unrecoverable remaining creditor's rights when core rental objects are taken back and disposed, and the funds are written off.

(2) Risk limit management and mitigation policies

The Group manages, limits and controls the credit risk concentrated in individual debtor, group, industry and region.

The Group manages credit risk exposure based on periodic analysis on the debtor's ability to repay the principal and interest, and the periodic report prepared through interview with clients of different risk types.

Other specific management and mitigation measures are summarised as follows:

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12 Financial risk management (Cont'd)

2 Credit risk (Cont'd)

(2) Risk limit management and mitigation policies (Cont'd)

(i) Guarantees

The Group mitigates credit risk by obtaining collateral/pledge, guaranty and corporate or individual credit guarantee.

Generally, guarantee is required by the Group for finance lease business. Guarantee varies based on the lessee's credit record, credit risk exposure of the leasing and different characteristics of guarantee. Also, the Group assesses the guarantor's ability to guarantee, the ownership and value of collaterals and pledges, and the feasibility of realising mortgage and pledge rights. For long-term receivables guaranteed by a third party, the Company will evaluate this third party's financial position, credit record and ability to meet obligations of the guarantor.

(ii) Insurance to the finance lease asset

The Group conducts regular monitoring and insurance measures against the lease assets. According to internal policies, the Group visits leasing projects regularly and irregularly each year, including physical inspection of lease assets to understand its operating conditions. Moreover, the Group generally requires the lessee to have the lease asset insured with the Company as the beneficiary, to reduce risk.

For finance lease, the ownership of the lease asset belongs to the Group before the term of lease expires, while the risks and rewards in operational use and maintenance belong to the lessee. Therefore, if there is insurance accident occurred to the lease asset, the lessee should report immediately to the insurance company and notify the Group with relevant documents on reason of the accident for the Group to process claims from the insurance company.

(3) Measurement of ECLs

According to the new standards regulating financial instruments, the Group has employed the "ECL model" to make loss provision for financial assets measured at amortised cost, finance lease receivables and financing commitments.

Parameters for measuring ECLs

Measuring expected credit losses involves the following models, parameters, and assumptions:

Based on whether the credit risk has increased significantly and whether the assets have suffered credit impairment, in the light of the different risk characteristics of assets, the Group choose to measure the provision for impairment loss by the 12-month or lifetime ECLs. The ECL is the discounted product of exposure at default (EAD), probability of default (PD) and loss given default (LGD).

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12 Financial risk management (Cont'd)

2 Credit risk (Cont'd)

(3) Measurement of ECLs (Cont'd)

- i) Exposure at default refers to the amount that the Group should be repaid in the event of default in the next 12 months or throughout the remaining lifetime.
- ii) Probability of default refers to the possibility that the debtor will not be able to meet its repayment obligations in the next 12 months or throughout the remaining lifetime.
- iii) Loss given default refers to the Group's expectation of the extent of the losses caused by exposure at default. Loss given default varies depending on the type of counterparty, the manner and priority of recourse, and the availability of collateral or other credit support.

Lifetime probability of default is derived from the 12-month probability of default based on the expiry information. The expiry analysis covers the changes in default from the initial recognition throughout the lifetime of the assets. The maturity profile is based on the observable historical data and is assumed to be the same for all assets within a portfolio and of the same credit rating. The above analysis is supported by historical data and forward-looking adjustments.

Criteria involved in the judgement of significant changes in credit risk

According the new financial instruments standard, in determining the stage of credit risk of financial assets, the Group assesses at each balance sheet date whether the credit risk of relevant financial instruments has changed significantly since the initial recognition. When determining the impairment stage of financial assets, the Group takes account of all reasonable and evidenced information, including forward-looking information, that reflects significant changes in their credit risk. The main considerations are regulatory and operating environment, internal and external credit ratings, solvency and operational capabilities, etc. Based on individual financial instruments or groupings of financial instruments with similar credit risk characteristics, the Group compares the risk of default at the balance sheet date with that at the initial recognition date to determine their stage of impairment.

The Group determines whether the credit risk of financial instruments has changed significantly since the initial recognition by setting quantitative and qualitative criteria, such as changes in probability of default by the debtor, changes in credit risk classification and other cases indicating significant changes in credit risk. In determining whether the credit risk of a financial instrument has changed significantly since the initial recognition, the Group follows the standards and uses "whether the number of overdue days exceeds 30 days" as one of the criteria for significant increase in credit risk.

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12 Financial risk management (Cont'd)

2 Credit risk (Cont'd)

(3) Measurement of ECLs (Cont'd)

Criteria involved in the judgement of significant changes in credit risk (Cont'd)

Definition of credit-impaired assets

Under the revised accounting standards for financial instruments, in order to determine whether credit impairment occurs, the defined criteria adopted by the Group are consistent with the internal credit risk management objectives for relevant financial instruments, both of which incorporate quantitative and qualitative indicators. When assessing whether a debtor has suffered a credit impairment, the Group usually considers the following factors:

- The contract is more than 90 days past due;
- Internal credit rating is default;
- For economic or contractual reasons relating to the financial difficulties of the debtor, the creditor gives the debtor unusual concessions;
- The debtor encounters significant financial difficulties;
- The debtor is likely to go bankrupt or face other financial restructuring;
- The active market for financial assets disappears;

Financial assets may be credit-impaired due to the joint effect of multiple events rather than separately identifiable events.

Forward-looking information

When determining the 12-month and lifetime exposure at default, probability of default and loss given default, the Group considers forward-looking economic information. Through historical data analysis, the Group identified key macroeconomic indicators that affect the credit risk and ECLs of each asset portfolio, and established a macroeconomic forward-looking adjustment model through indicator pool population, data preparation, and forward-looking adjustment modelling. The indicator pool includes the year-on-year rate of change in GDP, the year-on-year rate of change in the CPI, and PMI. The relationship between these economic indicators and exposure at default, probability of default and loss given default is determined based on regression analysis, and exposure at default, probability of default and loss given default are determined in the light of the expected future economic indicators.

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12 Financial risk management (Cont'd)

2 Credit risk (Cont'd)

(3) Measurement of ECLs (Cont'd)

Forward-looking information (Cont'd)

During the reporting period, the Group adjusted the forecast on forward-looking economic indicators using statistical analysis and expert judgement, and determined the final macroeconomic scenarios and weights by taking the range of possible outcomes represented by each scenario into account. The impact of these economic indicators on probability of default and loss given default varies between different business types. The Group considers internal and external data, expert forecasts and statistical analysis to determine the relationship between these economic indicators and probability of default and loss given default. The Group evaluates and forecasts these economic indicators at least annually, provides the best future estimates, and regularly tests the results. Similar to other economic estimates, the forecasted economic indicators and probability of occurrence are inherently highly uncertain. As a result, the actual results may be materially different from the estimates. The Group believes that these forecasts reflect the Group's best estimate of possible outcomes.

In 2020, key macroeconomic assumptions used in macroeconomic scenarios were the quarter-on-quarter growth rate of GDP, the growth rate of CPI and PMI. Specifically:

- Quarter-on-quarter growth rate of GDP: the average forecast value in the 2021 baseline scenario is about 8.45, and the forecast value is 0.88 higher and 1.12 lower than the baseline in optimistic scenario and pessimistic scenario respectively. The average forecast value in the 2022 baseline scenario is about 5.68, and the forecast value is 0.58 higher and 0.65 lower than the baseline in optimistic scenario and pessimistic scenario respectively.
- Growth rate of CPI: the forecast value in the 2021 baseline scenario is about 1.70, and the forecast value is 0.50 higher and 0.55 lower than the baseline in optimistic scenario and pessimistic scenario respectively. The forecast value in the 2022 baseline scenario is about 2.13, and the forecast value is 0.7 higher and 0.65 lower than the baseline in optimistic scenario and pessimistic scenario respectively.
- PMI: the forecast value in the 2021 baseline scenario is about 50.27, and the forecast value is 0.78 higher and 0.75 lower than the baseline in optimistic scenario and pessimistic scenario respectively. The forecast value in the 2022 baseline scenario is about 50.15, and the forecast value is 0.83 higher and 0.73 lower than the baseline in optimistic scenario and pessimistic scenario respectively.

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12 Financial risk management (Cont'd)

2 Credit risk (Cont'd)

(3) Measurement of ECLs (Cont'd)

Sensitivity analysis

ECLs are sensitive to the parameters used in the model, macroeconomic variables of the forward-looking forecast, weight probabilities in the three scenarios, and other factors considered in the application of expert judgement. Changes in these input parameters, assumptions, models, and judgements will have an impact on the significant increase in credit risk and the measurement of ECLs.

The following table shows, if Stage 2 financial assets all enter Stage 1 due to significant change in credit risk, what changes will ensue to the loss provision recognised in the balance sheet:

	31 December 2020	31 December 2019
ECL assuming Stage 2 financial assets are all included in Stage 1	4,967,702,352	3,659,140,648
Total carrying amount of ECLs	6,265,214,344	4,484,551,668
Difference (amount)	(1,297,511,992)	(825,411,020)
Difference (%)	-20.71%	-18.41%

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12 Financial risk management (Cont'd)
2 Credit risk (Cont'd)
(3) Measurement of ECLs (Cont'd)
Credit exposure

Without considering collateral and other credit enhancements, for on-balance sheet assets, the maximum credit exposures are presented at net carrying amount in the balance sheet.

Refer to Note 7(11) for the details on the industrial concentrations of long-term receivables of the Group.

The following table analyses the credit exposure of financial assets at fair value through profit or loss that are not included in the impairment assessment scope:

	Maximum credit exposure	
	31 December 2020	31 December 2019
Financial assets held for trading		
- Funds	2,585,428,920	5,658,091,489
- Wealth management products investments	505,609,310	1,708,411,647
- Other investments	400,119,178	2,000,267,123
- Trust investments	394,194,598	122,669,115
Other non-current financial assets		
- Funds	38,919,635	300,091,489
- Wealth management products investments	8,463,795	527,403,659
- Trust investments	155,324,378	585,578,444
Total	<u>4,088,059,814</u>	<u>10,902,512,966</u>

Collateral and other credit enhancements

The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. Specifications are implemented regarding the acceptability of types of collateral and the valuation parameters. The collateral accepted by the Group is mainly leaseholds and deposits guaranteed by a natural person.

When reviewing the adequacy of loss provisions, the management monitors the market value of collateral and requests additional collateral in accordance with the relevant agreements.

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12 Financial risk management (Cont'd)

2 Credit risk (Cont'd)

The table below shows movements of original carrying amount and loss provision of the Group's long-term receivables (including current portion):

Original carrying amount	Stage of impairment	2020						
		Balance at the beginning of the year	Net increase in the current year (Note 1)	Shift in stages			Write-off in the current year	Balance at the end of the year
				Net transfer between Stage 1 and Stage 2	Net transfer between Stage 1 and Stage 3	Net transfer between Stage 2 and Stage 3		
	Stage 1	212,829,074,826	31,901,687,011	(1,853,819,563)	(678,971,295)	-	-	242,197,970,979
	Stage 2	5,077,803,350	515,313,577	1,853,819,563	-	(342,561,877)	-	7,104,374,613
	Stage 3	2,375,718,094	378,300,126	-	678,971,295	342,561,877	(687,390,491)	3,088,160,901
	Sub-total	220,282,596,270	32,795,300,714	-	-	-	(687,390,491)	252,390,506,493

Loss provision	Stage of impairment	2020						
		Balance at the beginning of the year	Net increase in the current year (Note 1)	Increase in/(Reversal of) provision (Note 2)	Shift in stages			Balance at the end of the year
					Net transfer between Stage 1 and Stage 2	Net transfer between Stage 1 and Stage 3	Net transfer between Stage 2 and Stage 3	
	Stage 1	2,235,316,062	267,867,872	617,240,139	(46,504,080)	(175,263,922)	-	2,898,656,071
	Stage 2	878,742,527	(105,947,793)	572,978,925	46,504,080	-	(9,739,690)	1,382,538,049
	Stage 3	1,370,493,079	(82,537,460)	1,198,451,484	-	175,263,922	9,739,690	1,984,020,224
	Sub-total	4,484,551,668	79,382,619	2,388,670,548	-	-	-	6,265,214,344

Note 1: Changes resulting from purchase, origination or derecognition other than write-off and disposal of subsidiaries.

Note 2: This item mainly includes changes in probability of default, exposure at default, and loss given default caused by regular update of model parameters, and the effect on measurement of ECLs exerted by shift in stages.

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12 Financial risk management (Cont'd)
2 Credit risk (Cont'd)

The Group gives internal ratings to financial instruments based on their credit quality and risk characteristics. The credit rating of financial instruments can be further classified into "low risk", "medium risk", "high risk" and "default" according to the internal rating scale. "Low risk" generally indicates that the credit quality is good, there is sufficient evidence that the assets are not expected to suffer any default, or there is no reason to suspect that the assets have been breached; "medium risk" indicates that the assets are generally of good quality, and there may be adverse elements but no sufficient reason is found to suspect that the asset has suffered any default; "high risk" indicates that there is a factor that has a significant adverse effect on the quality of the assets, and there is reason to suspect that the asset has suffered default; the "default" criteria is consistent with that for credit impairment.

The following table provides a concentration analysis of the credit risk exposures of long-term receivables (including current portion) of major financial assets and facility commitments that are included in the ECL assessment. The carrying amount of the following financial assets is the Group's maximum exposure to credit risk for these assets:

31 December 2020	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit rating				
Low risk	98,261,949,909	-	-	98,261,949,909
Medium risk	138,678,016,933	-	-	138,678,016,933
High risk	5,258,004,137	7,104,374,613	-	12,362,378,750
Default	-	-	3,088,160,901	3,088,160,901
Total carrying amount	242,197,970,979	7,104,374,613	3,088,160,901	252,390,506,493
Loss provision	2,898,656,071	1,382,538,049	1,984,020,224	6,265,214,344
Sub-total	239,299,314,908	5,721,836,564	1,104,140,677	246,125,292,149
Off-balance-sheet items	3,325,716,684	-	-	3,325,716,684
Total	242,625,031,592	5,721,836,564	1,104,140,677	249,451,008,833
31 December 2019	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit rating				
Low risk	105,867,622,702	-	-	105,867,622,702
Medium risk	104,443,414,118	-	-	104,443,414,118
High risk	2,518,038,006	5,077,803,350	-	7,595,841,356
Default	-	-	2,375,718,094	2,375,718,094
Total carrying amount	212,829,074,826	5,077,803,350	2,375,718,094	220,282,596,270
Provision for impairment loss	2,235,316,062	878,742,527	1,370,493,079	4,484,551,668
Sub-total	210,593,758,764	4,199,060,823	1,005,225,015	215,798,044,602
Off-balance-sheet items	3,503,130,664	-	-	3,503,130,664
Total	214,096,889,428	4,199,060,823	1,005,225,015	219,301,175,266

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12 Financial risk management (Cont'd)

3 Market risk

Market risks mainly comprise interest rate risk and foreign exchange risk, which refer to the risk of losses arising from fluctuation of market price (interest rate, foreign exchange rate, stock prices and commodity prices).

(1) Market risk measurement approaches

Currently, the Group assesses its interest risk of the trading investment portfolios through sensitivity analysis. That is to say, the Group regularly measures the difference (gap) between the amount of interest-bearing assets and interest-bearing liabilities that will mature or must be re-priced within certain periods through sensitivity analysis, and analyses the sensitivity in response to changes in benchmark rates, market interest rates and exchange rates. The Group establishes periodic reporting system for sensitivity analysis and reports sensitivity analysis results to senior management quarterly.

(2) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from the recognised assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to US dollars. The Group's finance department at its headquarters is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies to minimise the foreign exchange risk.

In 2020, the Group entered into several forward exchange contracts to hedge against the changes in RMB-equivalent cash flows of liabilities denominated in USD arising from forward exchange rate changes. The hedged items are bank borrowings.

The following table shows the Group's assets and liabilities at the balance sheet date in RMB amounts by the original currency:

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12 Financial risk management (Cont'd)

3 Market risk (Cont'd)

(2) Foreign exchange risk (Cont'd)

	31 December 2020			Total
	RMB	USD (RMB equivalent)	Others (RMB Equivalent)	
Assets				
Cash at bank and on hand	14,551,906,641	274,570,552	468,545	14,826,945,738
Financial assets held for trading	3,885,352,006	-	-	3,885,352,006
Notes receivable	583,959,505	-	-	583,959,505
Accounts receivable	43,126,638	-	-	43,126,638
Advances to suppliers	107,903,035	-	-	107,903,035
Financial assets held under resale agreements	499,900,000	-	-	499,900,000
Derivative financial assets	475,840	-	7,209,099	7,684,939
Other receivables	1,149,653,271	-	-	1,149,653,271
Other non-current financial assets	308,363,410	648,728,501	-	957,091,911
Long-term receivables (including current portion)	246,125,292,149	-	-	246,125,292,149
Long-term equity investments	2,244,859,086	-	-	2,244,859,086
Fixed assets	881,596,401	108,423,696	-	990,020,097
Deferred tax assets	2,354,686,035	-	-	2,354,686,035
Other assets	4,184,532,850	-	-	4,184,532,850
Total assets	276,921,606,867	1,031,722,749	7,677,644	277,961,007,260
Liabilities				
Short-term borrowings	32,931,038,805	1,861,654,808	77,472,994	34,870,166,607
Notes payable	4,738,177,472	-	-	4,738,177,472
Accounts payable	2,086,697,699	-	-	2,086,697,699
Advances from customers	344,008,579	-	-	344,008,579
Other payables	16,912,101,448	-	-	16,912,101,448
Long-term borrowings (including current portion)	59,754,779,160	11,614,188,914	1,039,221,381	72,408,189,455
Bonds payable (including short-term bonds)	76,530,902,926	-	808,256,292	77,339,159,218
Derivative financial liabilities	-	483,682,800	18,420,627	502,103,427
Long-term payables (including current portion)	22,251,241,950	-	-	22,251,241,950
Other liabilities	5,396,842,979	-	-	5,396,842,979
Total liabilities	220,945,791,018	13,959,526,522	1,943,371,294	236,848,688,834
Net position in balance sheet	55,975,815,849	(12,927,803,773)	(1,935,693,650)	41,112,318,426
Nominal amount of derivative financial instruments	2,244,700,000	14,808,976,724	1,925,139,833	18,978,816,557

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12 Financial risk (Cont'd)

3 Market risk (Cont'd)

(2) Foreign exchange risk (Cont'd)

	RMB	31 December 2019		Total
		USD (RMB equivalent)	Others (RMB Equivalent)	
Assets				
Cash at bank and on hand	9,319,875,120	1,060,919,337	481,275	10,381,275,732
Financial assets held for trading	9,489,439,374	-	-	9,489,439,374
Notes receivable	795,118,981	-	-	795,118,981
Accounts receivable	26,781,952	-	-	26,781,952
Advances to suppliers	175,947,449	-	-	175,947,449
Derivative financial assets	398,898	107,708,999	-	108,107,897
Other receivables	5,636,312,163	-	-	5,636,312,163
Other non-current financial assets	1,443,843,510	701,108,100	-	2,144,951,610
Long-term receivables (including current portion)	215,798,044,602	-	-	215,798,044,602
Long-term equity investments	1,865,059,519	-	-	1,865,059,519
Fixed assets	837,370,816	127,440,061	-	964,810,877
Deferred tax assets	2,035,885,332	-	-	2,035,885,332
Other assets	5,064,785,663	-	-	5,064,785,663
Total assets	252,488,863,379	1,997,176,497	481,275	254,486,521,151
Liabilities				
Short-term borrowings	27,870,877,230	866,068,763	-	28,736,945,993
Notes payable	3,802,420,287	-	-	3,802,420,287
Accounts payable	467,940,543	-	-	467,940,543
Advances from customers	398,285,783	-	-	398,285,783
Other payables	11,321,227,322	-	-	11,321,227,322
Long-term borrowings (including current portion)	62,612,724,739	11,100,176,324	-	73,712,901,063
Bonds payable (including short-term bonds)	66,653,398,092	-	-	66,653,398,092
Derivative financial liabilities	8,355,363	112,687,890	-	121,043,253
Long-term payables (including current portion)	24,370,659,786	-	-	24,370,659,786
Other liabilities	7,298,879,104	-	-	7,298,879,104
Total liabilities	204,804,768,249	12,078,932,977	-	216,883,701,226
Net position of balance sheet	47,684,095,130	(10,081,756,480)	481,275	37,602,819,925
Nominal amount of derivative financial instruments	2,904,700,000	10,417,210,650	-	13,321,910,650

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12 Financial risk management (Cont'd)
3 Market risk (Cont'd)
(2) Foreign exchange risk (Cont'd)

The Group measures the possible effect of exchange rate changes on net profit through sensitivity analysis. The table below shows the result of sensitivity analysis of financial assets and liabilities on the balance sheet date.

	31 December 2020		31 December 2019	
	Changes in exchange rate		Changes in exchange rate	
Increase/(Decrease) in net profit	-1%	1%	-1%	1%
USD vs. RMB	60,630,045	(60,630,045)	55,468,299	(55,468,299)
Other currencies vs. RMB	14,517,702	(14,517,702)	339,473	(339,473)

The above sensitivity analysis is based on the static exchange rate risk structure of assets and liabilities, and calculates the impact of reasonable possibility of changes in foreign currency against RMB on net profit while all other variables have been held constant. The assumptions for calculations are shown as below: (1) exchange rate sensitivity represents the exchange gain or loss resulting from the 1% change in daily closing exchange rates (middle) on the financial reporting date; (2) exchange rates for all currencies are fluctuating simultaneously and in the same direction; (3) foreign currency position includes spot exchange position and forward exchange position. Due to these assumptions, the actual exchange gain or loss may differ from the sensitivity analysis result.

(3) Interest rate risk

Cash flow interest rate risk refers to the risk that the cash flows of financial instruments fluctuate due to changes in the market interest rate. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. Fair value interest rate refers to the risk that the fair value of financial instruments fluctuates due to changes in the market interest rate. The Group's interest rate risk mainly arises from interest rate re-pricing and maturity mismatching of assets and liabilities, and the fluctuation of market interest rate. The Group exercises regular monitoring on the repricing period gap of interest rate-sensitive assets and liabilities to manage interest rate risk through interest rate swaps and other instruments. Interest margins may increase as a result of the fluctuation of the market interest rate, but may reduce or create losses in the event that unexpected movements arise.

Interest rate of long-term receivables of the Group rather than that agreed by both parties through negotiation is based on the benchmark interest rate regulated by the People's Bank of China ("PBOC"), and varies as the benchmark interest rate is adjusted by the PBOC, if any.

The Group uses interest rate swaps to hedge against exposures to cash flow variability primarily from interest rate risks. The hedged items include bank borrowings.

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12 Financial risk management (Cont'd)

3 Market risk (Cont'd)

(3) Interest rate risk (Cont'd)

The table below summarises the Group's interest rate risks. The table presents the Group's financial interest-earning assets and interest-bearing liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

31 December 2020	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Financial assets						
Cash at bank and on hand	13,991,422,253	723,363,736	112,159,749	-	-	14,826,945,738
Accounts receivable	-	-	-	-	43,126,638	43,126,638
Notes receivable	-	-	-	-	583,959,505	583,959,505
Financial assets held under resale agreements	499,900,000	-	-	-	-	499,900,000
Financial assets held for trading	829,774,714	725,577,292	-	-	2,330,000,000	3,885,352,006
Other non-current financial assets	-	-	183,733,939	-	773,357,972	957,091,911
Derivative financial assets	-	-	-	-	7,684,939	7,684,939
Long-term receivables (including current portion)	221,885,366,683	14,518,450,091	9,633,438,300	88,037,075	-	246,125,292,149
Other financial assets	-	-	-	-	1,040,306,336	1,040,306,336
Total financial assets	237,206,463,650	15,967,391,119	9,929,331,988	88,037,075	4,778,435,390	267,969,659,222

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12 Financial risk management (Cont'd)

3 Market risk (Cont'd)

(3) Interest rate risk (Cont'd)

31 December 2020	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Financial liabilities						
Short-term and long-term borrowings (including current portion)	27,152,993,304	39,036,218,036	36,078,722,509	5,010,422,213	-	107,278,356,062
Notes payable	-	-	-	-	4,738,177,472	4,738,177,472
Accounts payable	-	-	-	-	2,086,697,699	2,086,697,699
Derivative financial liabilities	-	-	-	-	502,103,427	502,103,427
Bonds payable (including short-term bonds)	10,722,124,517	25,498,469,070	41,118,565,631	-	-	77,339,159,218
Long-term payables (including current portion)	16,548,298	8,504,755	49,905,163	12,476,291	22,163,807,443	22,251,241,950
Other financial liabilities	-	-	-	-	16,912,101,448	16,912,101,448
Total financial liabilities	37,891,666,119	64,543,191,861	77,247,193,303	5,022,898,504	46,402,887,489	231,107,837,276
Total interest rate sensitivity gap	199,314,797,531	(48,575,800,742)	(67,317,861,315)	(4,934,861,429)	(41,624,452,099)	36,861,821,946

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12 Financial risk management (Cont'd)

(3) Interest rate risk (Cont'd)

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12 Financial risk management (Cont'd)

3 Market risk (Cont'd)

(3) Interest rate risk (Cont'd)

31 December 2019	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Financial liabilities						
Short-term and long-term borrowings (including current portion)	15,931,634,427	42,008,676,870	38,009,535,760	6,500,000,000	-	102,449,847,057
Notes payable	-	-	-	-	3,802,420,287	3,802,420,287
Accounts payable	-	-	-	-	467,940,543	467,940,543
Derivative financial liabilities	-	-	-	-	121,043,253	121,043,253
Bonds payable (including short-term bonds)	7,995,398,092	14,490,000,000	44,168,000,000	-	-	66,653,398,092
Long-term payables (including current portion)	5,458,547	8,704,322	51,076,209	12,769,052	24,292,651,656	24,370,659,786
Other financial liabilities	-	-	-	-	11,183,373,312	11,183,373,312
Total financial liabilities	23,932,491,066	56,507,381,192	82,228,611,969	6,512,769,052	39,867,429,051	209,048,682,330
Total interest rate sensitivity gap	162,590,168,749	(32,470,773,277)	(58,123,144,283)	(5,540,426,294)	(31,561,542,916)	34,894,281,979

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12 Financial risk management (Cont'd)
3 Market risk (Cont'd)
(3) Interest rate risk (Cont'd)

The table below illustrates the potential impact of the yield curve shifting by 100 basis points on 31 December 2019 and 31 December 2020 on the net profit of the Group:

	2020	2019
Upward parallel shift of 100 bps for yield curves	1,170,986,903	975,673,933
Downward parallel shift of 100 bps for yield curves	(1,170,986,903)	(975,673,933)

When conducting the sensitivity analysis, the Group makes the following general assumptions in determining business conditions and financial parameters.

- business changes post balance sheet date not considered with analysis based on static exposure at the balance sheet date;
- interest rate fluctuations of different interest-bearing assets and interest-bearing liabilities are the same;
- all assets and liabilities are re-priced during the middle of relevant time buckets;
- the impact from interest rate changes on customer behaviour not considered;
- necessary measures taken by the Group in response to interest rate changes not considered.

Due to these constraints listed above, differences may exist between result of sensitivity analysis and actual changes in net profit of the Group caused by changes in interest rate.

4 Liquidity risk

Liquidity risk is the type of risk that occurs when the Group cannot obtain sufficient funding in time or at a reasonable cost to repay debts when they are due, fulfill other payment obligations, or meet the other funding needs in regular business development. Based on the Group's business features, its liquidity risk management comprises:

- Ensuring security and improving efficiency by further enhancing the liquidity risk management system;
- Managing daily cash position by monitoring changes in static/dynamic cash flows gap;
- Monitoring quantitative/qualitative risk indicators, identifying liquidity risks in advance and forming an early warning response mechanism by establishing a liquidity management indicator database and setting risk limits;
- Establishing and optimising a financing strategy to improve the diversity and stability of financing sources, and provide the Company with funds at a reasonable cost timely to meet its liquidity needs;
- Improving risk resistance capabilities and ensuring liquidity security through reasonable scale and structure of liquidity reserves, emergency plans and emergency drills, and regular liquidity stress tests.

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12 Financial risk management (Cont'd)

4 Liquidity risk (Cont'd)

As at 31 December 2020, unused banking facilities of the Group amounted to RMB 78,736 million.

The Group manages liquidity risk by estimating the future cash flows. The undiscounted contractual cash flows and expected cash flows at the relevant remaining contractual maturity dates of the Group's financial assets and financial liabilities are analysed as follows:

31 December 2020	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	On demand	Total
Non-derivative financial assets						
Cash at bank and on hand	185,296,836	723,363,737	112,159,749	-	13,815,358,930	14,836,179,252
Notes receivable	293,606,131	290,353,374	-	-	-	583,959,505
Accounts receivable	43,126,638	-	-	-	-	43,126,638
Financial assets held under resale agreements	500,238,563	-	-	-	-	500,238,563
Financial assets held for trading	832,003,810	809,744,920	-	-	2,330,000,000	3,971,748,730
Other non-current financial assets	-	-	207,266,120	773,357,971	-	980,624,091
Other financial assets	19,367,285	962,465,501	34,464,321	-	24,009,229	1,040,306,336
Long-term receivables (including current portion)	39,378,560,221	105,359,739,295	124,530,884,245	547,710,950	1,987,579,742	271,804,474,453
Total financial assets	41,252,199,484	108,145,666,827	124,884,774,435	1,321,068,921	18,156,947,901	293,760,657,568

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Financial risk management (Cont'd)

4

Liquidity risk (Cont'd)

31 December 2020	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	On demand	Total
Short-term and long-term borrowings (including current portion)	13,490,223,362	55,645,953,141	38,535,636,532	5,360,182,500	-	113,031,995,535
Notes payable	698,012,165	4,040,165,307	-	-	-	4,738,177,472
Accounts payable	171,491,451	1,607,267,485	14,649,000	-	293,289,763	2,086,697,699
Other financial liabilities	386,690	16,830,270,024	81,444,734	-	-	16,912,101,448
Bonds payable	11,047,801,030	27,660,744,137	42,612,950,436	-	-	81,321,495,603
Long-term payables (including current portion)	1,052,223,481	5,034,217,398	16,468,857,714	461,082,935	-	23,016,381,528
Total financial liabilities	26,460,138,179	110,818,617,492	97,713,538,416	5,821,265,435	293,289,763	241,106,849,285
Net liquidity	14,792,061,305	(2,672,950,665)	27,171,236,019	(4,500,196,514)	17,863,658,138	52,653,808,283
Cash flows of derivatives:						
Derivative financial instruments settled on a net basis	(3,538,967)	(25,731,947)	(9,646,498)	-	-	(38,917,412)
Derivative financial instruments settled on a gross basis						
Including: Cash inflows	4,437,281,882	4,633,830,664	4,880,347,401	44,196	-	13,951,504,143
Cash outflows	(4,543,798,091)	(4,785,631,972)	(5,057,927,292)	-	-	(14,387,357,355)
	(110,055,176)	(177,533,255)	(187,226,389)	44,196	-	(474,770,624)

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Financial risk management (Cont'd)

4

Liquidity risk (Cont'd)

31 December 2019	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	On demand	Total
Non-derivative financial assets						
Cash at bank and on hand	586,311,144	796,749,630	51,433,899	-	8,946,781,059	10,381,275,732
Notes receivable	188,497,238	606,621,743	-	-	-	795,118,981
Accounts receivable	26,781,952	-	-	-	-	26,781,952
Financial assets held for trading	2,004,701,387	2,818,239,939	-	-	5,358,000,000	10,180,941,326
Other non-current financial assets	-	-	699,564,548	1,560,722,725	-	2,260,287,273
Other financial assets	69,528	5,070,452,459	73,532,221	-	6,502,114	5,150,556,322
Long-term receivables (including current portion)	26,862,999,596	75,470,408,793	131,562,112,165	4,584,208,762	2,355,339,216	240,835,068,532
Total financial assets	29,669,360,845	84,762,472,564	132,386,642,833	6,144,931,487	16,666,622,389	269,630,030,118

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Financial risk management (Cont'd)

4

Liquidity risk (Cont'd)

31 December 2019	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	On demand	Total
Short-term and long-term borrowings (including current portion)	16,777,433,511	44,531,415,908	49,357,889,109	7,218,311,806	-	117,885,050,334
Notes payable	1,015,613,613	2,786,806,674	-	-	-	3,802,420,287
Accounts payable	139,945,849	85,870,600	242,124,094	-	-	467,940,543
Other financial liabilities	-	9,169,221,013	2,014,152,299	-	-	11,183,373,312
Bonds payable	7,338,886,930	15,739,113,148	53,090,948,642	-	-	76,168,948,720
Long-term payables (including current portion)	976,716,016	4,395,806,353	17,435,585,340	1,589,082,139	-	24,397,189,848
Total financial liabilities	26,248,595,919	76,708,233,696	122,140,699,484	8,807,393,945	-	233,904,923,044
Net liquidity	3,420,764,926	8,054,238,868	10,245,943,349	(2,662,462,458)	16,666,622,389	35,725,107,074
Cash flows of derivatives:						
Derivative financial instruments settled on a net basis	(7,296,762)	60,666,626	(85,059,847)	-	-	(31,689,983)
Derivative financial instruments settled on a gross basis						
Including: Cash inflows	13,070,469	917,683,598	1,555,351,094	-	-	2,486,105,161
Cash outflows	(16,758,179)	(953,958,017)	(1,562,245,509)	-	-	(2,532,961,705)
	(10,984,472)	24,392,207	(91,954,262)	-	-	(78,546,527)

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12 Financial risk management (Cont'd)

4 Liquidity risk (Cont'd)

As at the balance sheet date, the Group's facility commitments provided to external parties were analysed by irrevocable dates below:

	Within 1 months	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2020 Facility commitments	499,790,000	1,746,781,337	1,354,447,245	-	-	3,601,018,582
31 December 2019 Facility commitments	300,000	389,129,930	3,083,700,734	30,000,000	-	3,503,130,664

Management expects that not all of the commitments will be drawn before expiry of the commitments.

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12 Financial risk management (Cont'd)

5 Fair value of financial instruments

Fair value estimation is made based on the relevant market information and information related to various instruments at a specific time. The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Estimations on the fair value of various financial instruments are based on the following methods and assumptions:

(1) Methods for determination of fair value of financial instruments not measured at fair value

Financial assets and liabilities not measured at fair value in the balance sheet mainly include cash at bank and on hand, other receivables, long-term receivables, short-term borrowings, bonds payable, other payables, long-term borrowings, long-term payables, etc.

(a) Cash at bank and on hand, other receivables, short-term borrowings, and other payables

Since above-mentioned financial assets and liabilities are either due within one year or at floating rate, their carrying amount (i.e. amortised cost) is an approximation to their fair value.

(b) Long-term receivables

The carrying amount (i.e. amortised cost) of long-term receivables is an approximation to their fair value.

(c) Long-term borrowings

As at 31 December 2020 and 31 December 2019, most of the long-term borrowings held by the Company used floating interest rates, and their carrying amount was an approximation to fair value.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

12 Financial risk management (Cont'd)

5 Fair value of financial instruments (Cont'd)

(1) Methods for determination of fair value of financial instruments not measured at fair value (Cont'd)

(d) Bonds payable

The fair value of bonds payable is determined based on ChinaBond. As at 31 December 2020 and 31 December 2019, the fair value of such bonds was RMB 77,518 million and RMB 67,186 million respectively.

(2) Assets measured at fair value on a recurring basis

The Group recognises the fair value of financial instruments for which quoted prices (unadjusted) in active markets for identical assets or liabilities are available at prices in active markets and classifies them as Level 1 of the fair value measurement.

The Group determines the fair value of financial instruments by valuation techniques, those for which quoted prices are not available from an active market are classified as Level 2 and Level 3 of the fair value measurement.

Valuation techniques for financial instruments at Level 2 and Level 3:

For Level 2 financial instruments, fair value is determined through valuation techniques using observable market inputs and recent transaction price. Valuation service providers typically gather, analyse and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities. All significant inputs are observable in the market.

For Level 3 financial instruments, the basis for such determination is the significance of the unobservable inputs to the fair value measurement of assets.

Financial assets and liabilities measured at fair value by the above three levels are analysed below:

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

12 Financial risk management (Cont'd)
5 Fair value of financial instruments (Cont'd)
(2) Assets measured at fair value on a recurring basis (Cont'd)

31 December 2020	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
- Funds	2,330,000,000	-	294,348,555	2,624,348,555
- Wealth management products investments	-	-	514,073,105	514,073,105
- Trust investments	-	530,545,106	18,973,869	549,518,975
- Shares	-	67,623,558	-	67,623,558
- Unlisted equity	-	-	686,760,545	686,760,545
- Other investments	-	-	400,119,178	400,119,178
Derivative financial assets	-	7,684,939	-	7,684,939
Total financial assets	2,330,000,000	605,853,603	1,914,275,252	4,850,128,855
Derivative financial liabilities	-	502,103,427	-	502,103,427
Total financial liabilities	-	502,103,427	-	502,103,427
31 December 2019	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
- Funds	5,358,000,000	-	300,091,489	5,658,091,489
- Wealth management products	-	2,008,503,136	527,403,659	2,535,906,795
- Trust investments	-	708,247,559	-	708,247,559
- Unlisted equity	-	-	731,878,018	731,878,018
- Other investments	-	2,000,267,123	-	2,000,267,123
Derivative financial assets	-	108,107,897	-	108,107,897
Total financial assets	5,358,000,000	4,825,125,715	1,559,373,166	11,742,498,881
Derivative financial liabilities	-	121,043,253	-	121,043,253
Total financial liabilities	-	121,043,253	-	121,043,253

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

12 Financial risk management (Cont'd)

5 Fair value of financial instruments (Cont'd)

(2) Assets measured at fair value on a recurring basis (Cont'd)

(i) Changes in Level 3 financial assets are analysed below:

2020

Financial assets held for trading

Balance at the beginning of the year	1,559,373,166
Purchases	1,092,452,974
Sales	(622,516,671)
Gains or losses recognised in profit or loss	(115,034,216)
Balance at the end of the year	<u>1,914,275,253</u>

2019

Financial assets held for trading

Balance at the beginning of the year	3,504,411,032
Purchases	1,352,289,293
Sales	(140,000)
Settlement	(3,448,045,406)
Transfer into Level 3	144,645,050
Gains or losses recognised in profit or loss	6,213,197
Balance at the end of the year	<u>1,559,373,166</u>

(ii) Level 3 financial instruments at the end of the year recognised in profit or loss for the current year are presented as follows:

	2020		
	Realised income	Unrealised income	Total
Financial assets held for trading	<u>(47,217,004)</u>	<u>(67,817,212)</u>	<u>(115,034,216)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

12 Financial risk management (Cont'd)

5 Fair value of financial instruments (Cont'd)

(2) Assets measured at fair value on a recurring basis (Cont'd)

(ii) Level 3 financial instruments at the end of the year recognised in profit or loss for the current year are presented as follows (Cont'd):

		2019	
	Realised income	Unrealised income	Total
Financial assets held for trading	978	6,213,197	6,214,175

The Group did not have such reclassification between Level 1 and Level 2 for the years ended 31 December 2020 and 31 December 2019.

13 Capital management

The Group's capital requirements are primarily dependent on the scale and the type of business that it undertakes, as well as the industry and geographic location in which it operates. The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and to maintain healthy capital ratios in order to support its business and to maximise shareholders' value.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, refund capital to shareholders, issue new shares or sell assets to reduce debts.

The Group manages its capital requirements by assessing shortfalls, if any, between the reported and the required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in economic conditions and risk of the Group's activities.

As at 31 December 2020 and 31 December 2019, the Group's gearing ratio was as follows:

	31 December 2020	31 December 2019
Gearing ratio	85.21%	85.22%

14 Comparative figures

For the year ended 31 December 2020, domestic and overseas entities were not split for the purpose of foreign exchange risk disclosure. Meanwhile, comparative figures were restated to conform to this year's presentation.

PING AN INTERNATIONAL FINANCIAL LEASING CO., LTD.

**FINANCIAL STATEMENTS AND
AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

[English translation for reference only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail.]

Ping An International Financial Leasing Co., Ltd.

Financial Statements and Auditor's Report
For the Year Ended 31 December 2019
[English translation for reference only]

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[English Translation for Reference Only]

Auditor's Report

PwC ZT Shen Zi (2020) No. 20274
(Page 1 of 3)

To the Board of Directors of Ping An International Financial Leasing Co., Ltd.,

Opinion

What we have audited

We have audited the accompanying financial statements of Ping An International Financial Leasing Co., Ltd. ("Ping An Financial Leasing"), which comprise:

- the consolidated and company balance sheets as at 31 December 2019;
- the consolidated and company income statements for the year then ended;
- the consolidated and company cash flow statements for the year then ended;
- the consolidated and company statements of changes in owners' equity for the year then ended; and
- notes to the financial statements.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of Ping An Financial Leasing as at 31 December 2019, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises ("CASs").

Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of Ping An Financial Leasing in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants ("CICPA Code"), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management of Ping An Financial Leasing is responsible for the preparation and fair presentation of these financial statements in accordance with the CASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, management is responsible for assessing Ping An Financial Leasing's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Ping An Financial Leasing or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing Ping An Financial Leasing's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether these financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Ping An Financial Leasing's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in these financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Ping An Financial Leasing to cease to continue as a going concern.
- Evaluate the overall presentation (including the disclosures), structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Ping An Financial Leasing to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers Zhong Tian LLP

Signing CPA

Yeung Sheung Yuen

Shanghai, the People's Republic of China
13 March 2020

Signing CPA

Wu Yingzi

PING AN INTERNATIONAL FINANCIAL LEASING CO., LTD.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2019

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

	Note 7	31 December 2019	31 December 2018
Current assets			
Cash at bank and on hand	1	10,381,275,732	20,375,136,907
Financial assets held for trading	2	9,489,439,374	461,219,394
Notes receivable	3	795,118,981	750,675,109
Accounts receivable	4	26,781,952	3,670,097
Advances to suppliers		175,947,449	109,093,621
Derivative financial assets	5	108,107,897	121,455,857
Other receivables	6	5,636,312,163	1,069,430,714
Inventories	7	10,553,814	51,926,882
Other current assets	8	382,399,237	88,388,356
Current portion of non-current assets	9	95,421,102,953	68,194,896,515
Total current assets		122,427,039,552	91,225,893,452
Non-current assets			
Long-term receivables	10	120,376,941,649	123,187,572,842
Long-term equity investments	11	1,865,059,519	980,283,083
Other non-current financial assets	12	2,144,951,610	7,907,745,031
Construction in progress		207,809,992	-
Fixed assets	13	964,810,877	6,342,716,905
Intangible assets	14	88,526,636	61,185,724
Goodwill		512,496	-
Development costs	14	31,484,973	37,007,321
Long-term prepaid expenses		341,611,675	207,127,252
Deferred tax assets	15	2,035,885,332	1,933,097,450
Other non-current assets	16	4,001,886,840	2,858,450,609
Total non-current assets		132,059,481,599	143,515,186,217
TOTAL ASSETS		254,486,521,151	234,741,079,669

PING AN INTERNATIONAL FINANCIAL LEASING CO., LTD.

CONSOLIDATED BALANCE SHEET (CONT'D)

AS AT 31 DECEMBER 2019

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

	Note 7	31 December 2019	31 December 2018
Current liabilities			
Short-term borrowings	17	28,736,945,993	40,343,859,901
Notes payable	18	3,802,420,287	5,016,174,123
Accounts payable	19	467,940,543	410,938,658
Advances from customers		398,285,783	845,794,088
Contract liabilities	20	326,376,358	640,951,249
Employee benefits payable	21	802,197,856	672,033,578
Taxes payable	22	987,358,174	1,224,217,254
Derivative financial liabilities	5	121,043,253	42,318,559
Bonds payable	25	27,542,615,275	36,585,998,681
Other payables	23	11,321,227,322	7,158,183,018
Current portion of non-current liabilities	24	34,837,326,469	28,398,385,000
Total current liabilities		109,343,737,313	121,338,854,109
Non-current liabilities			
Long-term borrowings	17	44,445,594,306	37,864,834,898
Bonds payable	25	39,110,782,817	22,885,409,086
Including: Perpetual bonds		2,096,932,289	2,189,146,009
Long-term payables	26	19,015,560,449	19,644,298,471
Deferred tax liabilities	15	3,222,013	64,981,692
Other non-current liabilities	27	4,964,804,328	3,702,860,771
Total non-current liabilities		107,539,963,913	84,162,384,918
Total liabilities		216,883,701,226	205,501,239,027
Owners' equity			
Paid-in capital	28	13,634,810,443	12,251,700,410
Other equity instruments	29	11,474,424,122	9,036,387,714
Including: Perpetual bonds		11,474,424,122	9,036,387,714
Capital surplus	30	1,821,693,044	1,084,819,351
Surplus reserve	31	537,109,439	420,028,990
Other comprehensive income	32	(167,289,713)	(18,946,760)
Undistributed profits	33	10,291,600,610	6,465,850,937
Total equity attributable to owners of the parent company		37,592,347,945	29,239,840,642
Minority interests		10,471,980	-
Total owners' equity		37,602,819,925	29,239,840,642
TOTAL LIABILITIES AND OWNERS' EQUITY		254,486,521,151	234,741,079,669

The accompanying notes form an integral part of these financial statements.

Legal representative: Principal in charge of accounting: Head of accounting department:

PING AN INTERNATIONAL FINANCIAL LEASING CO., LTD.

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2019

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

	Note 7	31 December 2019	31 December 2018
Current assets			
Cash at bank and on hand	1	6,647,499,426	13,083,449,435
Financial assets held for trading	2	8,139,439,374	461,219,394
Notes receivable	3	772,663,059	314,889,001
Accounts receivable	4	-	-
Advances to suppliers		2,285,394	57,445,394
Derivative financial assets	5	89,563,847	660,683
Other receivables	6	42,812,942,762	26,093,529,815
Other current assets	8	126,806,362	3,339,429
Current portion of non-current assets	9	52,092,879,798	33,707,542,111
Total current assets		110,684,080,022	73,722,075,262
Non-current assets			
Long-term receivables	10	64,321,704,925	77,823,007,565
Long-term equity investments	11	11,817,554,626	10,745,732,503
Other non-current financial assets	12	1,370,385,274	7,802,674,782
Fixed assets	13	39,548,553	38,439,095
Intangible assets	14	73,754,124	51,690,398
Development costs	14	23,257,208	29,432,246
Long-term prepaid expenses		9,660,395	21,819,609
Deferred tax assets	15	1,100,191,754	979,812,624
Investment properties		296,659,283	246,011,677
Other non-current assets	16	3,832,760,736	2,856,723,028
Total non-current assets		82,885,476,878	100,595,343,527
TOTAL ASSETS		193,569,556,900	174,317,418,789

PING AN INTERNATIONAL FINANCIAL LEASING CO., LTD.

COMPANY BALANCE SHEET (CONT'D)

AS AT 31 DECEMBER 2019

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

	Note 7	31 December 2019	31 December 2018
Current liabilities			
Short-term borrowings	17	18,840,568,773	22,650,876,816
Notes payable	18	2,409,133,147	2,825,273,299
Accounts payable	19	421,098,644	131,955,203
Advances from customers		183,747,366	435,058,264
Contract liabilities	20	125,045,627	208,207,281
Employee benefits payable	21	647,106,988	471,904,779
Taxes payable	22	185,510,423	129,885,628
Derivative financial liabilities	5	60,566,867	10,939,508
Bonds payable	25	27,542,615,275	36,585,998,681
Other payables	23	7,453,343,457	4,328,515,351
Current portion of non-current liabilities	24	25,197,723,323	20,922,439,355
Total current liabilities		83,066,459,890	88,701,054,165
Non-current liabilities			
Long-term borrowings	17	25,359,447,804	22,047,663,057
Bonds payable	25	39,110,782,817	22,885,409,086
Including: Perpetual bonds		2,096,932,289	2,189,146,009
Long-term payables	26	10,108,653,298	11,067,113,671
Other non-current liabilities	27	4,763,870,649	3,667,336,969
Total non-current liabilities		79,342,754,568	59,667,522,783
Total liabilities		162,409,214,458	148,368,576,948
Owners' equity			
Paid-in capital	28	13,634,810,443	12,251,700,410
Other equity instruments	29	11,474,424,122	9,036,387,714
Including: Perpetual bonds		11,474,424,122	9,036,387,714
Capital surplus	30	1,846,396,327	1,084,854,125
Surplus reserve	31	537,109,439	420,028,990
Other comprehensive income	32	(50,892,988)	(5,397,646)
Undistributed profits	33	3,718,495,099	3,161,268,248
Total owners' equity		31,160,342,442	25,948,841,841
TOTAL LIABILITIES AND OWNERS' EQUITY		193,569,556,900	174,317,418,789

The accompanying notes form an integral part of these financial statements.

Legal representative: Principal in charge of accounting: Head of accounting department:

PING AN INTERNATIONAL FINANCIAL LEASING CO., LTD.

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

Item	Note 7	2019	2018
Revenue	34	19,668,143,174	15,148,195,466
Less: Cost of sales	35	(9,847,021,513)	(8,309,248,672)
Taxes and surcharges	36	(84,079,819)	(83,506,165)
Operational and administrative expenses	37	(2,714,486,972)	(2,193,280,091)
Exchange gains or losses		(24,004,892)	(42,908,730)
Add: Other income	38	575,090,196	446,104,222
Investment income	39	900,348,119	438,969,321
Gains or losses on net exposure hedges		(121,521,801)	(14,100,865)
Gains/(Losses) on changes in fair value	40	(449,515,202)	412,396,622
Credit impairment losses	41	(1,916,730,543)	(1,417,331,565)
Asset impairment losses	42	(5,871,128)	(8,242,073)
Gains or losses on disposal of assets		5,342,020	(1,085,133)
Operating profit		5,985,691,639	4,375,962,337
Add: Non-operating income		1,390,890	29,438
Less: Non-operating expenses		(17,450)	(7,156,987)
Total profit		5,987,065,079	4,368,834,788
Less: Income tax expenses	43	(1,548,351,383)	(1,152,859,297)
Net profit	33	4,438,713,696	3,215,975,491
Classified by continuity of operations			
Net profit from continuing operations		4,438,713,696	3,215,975,491
Classified by ownership of the equity			
Attributable to equity owners of the parent company		4,439,327,312	3,215,975,491
Minority interests		(613,616)	-
Other comprehensive income, net of tax			
Attributable to equity owners of the parent company	32	(148,342,953)	(47,088,217)
Other comprehensive income which will be subsequently reclassified to profit or loss			
Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit and loss		(215,025)	(59,963)
Effective portion of gains or losses on hedging instruments in a cash flow hedge		(87,888,533)	15,484,182
Differences on translation of foreign currency financial statements		(60,239,395)	(62,512,436)
Total comprehensive income		4,290,370,743	3,168,887,274
Attributable to equity owners of the parent company		4,290,984,359	3,168,887,274
Attributable to minority interests		(613,616)	-

The accompanying notes form an integral part of these financial statements.

Legal representative: Principal in charge of accounting: Head of accounting department:

PING AN INTERNATIONAL FINANCIAL LEASING CO., LTD.

**COMPANY INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

Item	Note 7	2019	2018
Revenue	34	10,649,620,208	9,002,261,769
Less: Cost of sales	35	(6,887,308,972)	(6,284,658,811)
Taxes and surcharges	36	(34,485,563)	(21,907,151)
Operational and administrative expenses	37	(1,918,008,474)	(1,773,821,752)
Exchange losses		(15,861,489)	(46,078,713)
Add: Other income	38	51,232,013	127,261,519
Investment income	39	1,317,675,545	400,650,824
Gains or losses on net exposure hedges		(4,968,915)	(17,537,891)
Gains/(Losses) on changes in fair value	40	(441,167,490)	411,430,989
Credit impairment losses	41	(1,337,411,775)	(770,651,851)
Losses on disposal of assets		(123,791)	729
Operating profit		1,379,191,297	1,026,949,661
Add: Non-operating income		1,298,998	15,000
Total profit		1,380,490,295	1,026,964,661
Less: Income tax expenses	43	(209,685,805)	(261,491,086)
Net profit	33	1,170,804,490	765,473,575
Classified by continuity of operations			
Net profit from continuing operations		1,170,804,490	765,473,575
Other comprehensive income, net of tax			
Other comprehensive income which will be subsequently reclassified to profit or loss			
Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit and loss		(215,025)	(59,963)
Effective portion of gains or losses on hedging instruments in a cash flow hedge		(45,280,317)	819,077
Total comprehensive income		1,125,309,148	766,232,689

The accompanying notes form an integral part of these financial statements.

Legal representative: Principal in charge of accounting: Head of accounting department:

PING AN INTERNATIONAL FINANCIAL LEASING CO., LTD.

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

Item	Note 7	2019	2018
Cash flows from operating activities			
Cash received from finance lease interest, operating lease income, service fee income and other operating income		21,139,577,753	17,643,047,472
Cash received from borrowings		3,934,986,361	20,205,962,775
Cash received from finance lease deposits		758,530,947	4,662,054,715
Cash received from recovery of bank deposits		713,028,215	123,633,281
Cash received relating to other operating activities		1,782,813,086	2,829,122,190
Sub-total of cash inflows		<u>28,328,936,362</u>	<u>45,463,820,433</u>
Net increase in cash paid for long-term receivables		(26,771,070,589)	(58,048,518,083)
Cash paid for interest expenses		(7,241,117,475)	(5,183,621,739)
Cash paid to and on behalf of employees		(1,522,975,266)	(1,057,505,253)
Payments of taxes and surcharges		(2,440,163,430)	(1,737,907,280)
Cash paid relating to other operating activities		(2,004,626,036)	(1,667,026,870)
Sub-total of cash outflows		<u>(39,979,952,796)</u>	<u>(67,694,579,225)</u>
Net cash flows used in operating activities	44	<u>(11,651,016,434)</u>	<u>(22,230,758,792)</u>
Cash flows from investing activities			
Cash received from disposal of fixed assets, intangible assets and other long-term assets		2,064,343,750	2,562,112,974
Cash received from disposal of investments		31,993,685,106	15,823,662,660
Cash received from returns on investments		428,054,981	181,993,238
Net proceeds from disposal of subsidiaries		870,200,928	-
Sub-total of cash inflows		<u>35,356,284,765</u>	<u>18,567,768,872</u>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(964,052,087)	(1,209,464,168)
Cash paid to acquire investments		(39,645,881,688)	(13,047,532,661)
Net cash paid to acquire subsidiaries and other business units		(274,412,820)	(24,499,999)
Sub-total of cash outflows		<u>(40,884,346,595)</u>	<u>(14,281,496,828)</u>
Net cash flows from/(used in) investing activities		<u>(5,528,061,830)</u>	<u>4,286,272,044</u>

PING AN INTERNATIONAL FINANCIAL LEASING CO., LTD.

**CONSOLIDATED CASH FLOW STATEMENT (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

Item	Note 7	2019	2018
Cash flows from financing activities			
Cash received from capital contributions		2,000,000,000	1,360,000,000
Cash received from issuance of bonds		43,328,195,848	40,508,000,000
Cash received from issuance of other equity instruments		4,279,500,000	2,493,955,774
Sub-total of cash inflows		<u>49,607,695,848</u>	<u>44,361,955,774</u>
Cash repayments of borrowings		(38,027,500,000)	(19,000,000,000)
Cash payments for profit distribution and interest expenses		(3,657,945,652)	(2,038,316,734)
Sub-total of cash outflows		<u>(41,685,445,652)</u>	<u>(21,038,316,734)</u>
Net cash flows from financing activities		<u>7,922,250,196</u>	<u>23,323,639,040</u>
Effect of exchange rate changes on cash and cash equivalents		<u>(24,004,892)</u>	<u>(42,908,730)</u>
Net (decrease)/increase in cash and cash equivalents		(9,280,832,960)	5,336,243,562
Add: Cash and cash equivalents at the beginning of the year		<u>18,193,669,428</u>	<u>12,857,425,866</u>
Cash and cash equivalents at the end of the year	44	<u>8,912,836,468</u>	<u>18,193,669,428</u>

The accompanying notes form an integral part of these financial statements.

Legal representative: Principal in charge of accounting: Head of accounting department:

**COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

Item	Note 7	2019	2018
Cash flows from operating activities			
Cash received from finance lease interest, operating lease income, service fee income and other operating income		11,795,593,442	10,926,128,458
Cash received from borrowings		3,022,725,320	1,399,699,241
Cash received from finance lease deposits		-	655,054,196
Cash received from recovery of bank deposits		287,494,999	893,290,134
Cash received relating to other operating activities		269,326,363	324,430,630
Sub-total of cash inflows		<u>15,375,140,124</u>	<u>14,198,602,659</u>
Net (decrease)/increase in cash paid for long- term receivables		2,412,776,285	(22,994,305,072)
Cash paid for finance lease deposits		(256,278,199)	-
Cash paid for interest expenses		(4,828,713,178)	(3,877,872,124)
Cash paid to and on behalf of employees		(923,750,899)	(780,744,885)
Payments of taxes and surcharges		(486,068,175)	(439,642,003)
Cash paid relating to other operating activities		(18,962,338,459)	(3,870,216,129)
Sub-total of cash outflows		<u>(23,044,372,625)</u>	<u>(31,962,780,213)</u>
Net cash flows used in operating activities	44	<u>(7,669,232,501)</u>	<u>(17,764,177,554)</u>
Cash flows from investing activities			
Cash received from disposal of fixed assets, intangible assets and other long-term assets		428,351	7,114,831
Cash received from disposal of investments		25,002,716,191	15,823,662,660
Cash received from returns on investments		323,253,082	459,533,286
Net cash received from disposal of subsidiaries and other business units		466,266,827	-
Sub-total of cash inflows		<u>25,792,664,451</u>	<u>16,290,310,777</u>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(33,169,611)	(255,923,551)
Cash paid to acquire investments		(31,200,348,519)	(13,455,577,937)
Net cash paid to acquire subsidiaries and other business units		(1,110,428,069)	(2,750,000,000)
Sub-total of cash outflows		<u>(32,343,946,199)</u>	<u>(16,461,501,488)</u>
Net cash flows used in investing activities		<u>(6,551,281,748)</u>	<u>(171,190,711)</u>

PING AN INTERNATIONAL FINANCIAL LEASING CO., LTD.

**COMPANY CASH FLOW STATEMENT (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

Item	Note 7	2019	2018
Cash flows from financing activities			
Cash received from capital contributions		2,000,000,000	1,360,000,000
Cash received from issuance of bonds		43,328,195,848	40,508,000,000
Cash received from issuance of other equity instruments		4,279,500,000	2,493,955,774
Sub-total of cash inflows		<u>49,607,695,848</u>	<u>44,361,955,774</u>
Cash repayments of borrowings		(38,027,500,000)	(19,000,000,000)
Cash payments for profit distribution and interest expenses		(3,508,366,810)	(2,038,316,734)
Sub-total of cash outflows		<u>(41,535,866,810)</u>	<u>(21,038,316,734)</u>
Net cash flows from financing activities		<u>8,071,829,038</u>	<u>23,323,639,040</u>
Effect of exchange rate changes on cash and cash equivalents		<u>230,201</u>	<u>(890,134)</u>
Net (decrease)/increase in cash and cash equivalents		(6,148,455,010)	5,387,380,641
Add: Cash and cash equivalents at the beginning of the year		<u>11,943,463,280</u>	<u>6,556,082,639</u>
Cash and cash equivalents at the end of the year	44	<u>5,795,008,270</u>	<u>11,943,463,280</u>

The accompanying notes form an integral part of these financial statements.

Legal representative: Principal in charge of accounting: Head of accounting department:

PING AN INTERNATIONAL FINANCIAL LEASING CO., LTD.

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

	Note	Attributable to equity owners of the parent company						Minority interests	Total owners' equity
		Paid-in capital	Other equity instruments	Capital surplus	Surplus reserve	Other comprehensive income	Undisturbed profits		
Balance at 1 January 2019		12,251,700,410	9,036,387,714	1,084,819,351	420,028,990	(18,946,760)	6,465,850,937	-	29,239,840,642
Movements for the year ended 31 December 2019									
Total comprehensive income									-
Net profit	33	-	-	-	-	-	4,439,327,312	(613,616)	4,438,713,696
Other comprehensive income	32	-	-	-	-	(148,342,953)	-	-	(148,342,953)
Total comprehensive income for the year		-	-	-	-	(148,342,953)	4,439,327,312	(613,616)	4,290,370,743
Capital contribution by shareholders		1,383,110,033	-	616,889,967	-	-	-	-	2,000,000,000
Appropriation to surplus reserve	31	-	-	-	117,080,449	-	(117,080,449)	-	-
Core employee stock ownership plan	30	-	-	(1,400,820)	-	-	-	-	(1,400,820)
Long-term service plan	30	-	-	(105,818,133)	-	-	-	-	(105,818,133)
Issuance of perpetual bonds		-	4,279,500,000	-	-	-	-	-	4,279,500,000
Repayment of perpetual bonds		-	(1,882,900,000)	(17,100,000)	-	-	-	-	(1,900,000,000)
Provision for dividends on perpetual bonds		-	496,497,190	-	-	-	(496,497,190)	-	-
Distribution of dividends on perpetual bonds		-	(455,060,782)	-	-	-	-	-	(455,060,782)
Transactions with minority shareholders		-	-	-	-	-	-	11,085,596	11,085,596
Effect of changes in other owners' equity in the investee under the equity method	11	-	-	244,302,679	-	-	-	-	244,302,679
Balance at 31 December 2019		13,634,810,443	11,474,424,122	1,821,693,044	537,109,439	(167,289,713)	10,291,600,610	10,471,980	37,602,819,925

PING AN INTERNATIONAL FINANCIAL LEASING CO., LTD.

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

	Note 7	Attributable to equity owners of the parent company						
		Paid-in capital	Other equity instruments	Capital surplus	Surplus reserve	Other comprehensive income	Undisturbed profits	Minority interests
Balance at 31 December 2017		11,221,397,380	6,369,310,000	765,557,091	343,481,633	(83,304,342)	3,871,302,972	15,870,950
Changes in accounting policies		-	-	-	-	111,445,799	(51,698,229)	-
Balance at 1 January 2018		11,221,397,380	6,369,310,000	765,557,091	343,481,633	28,141,457	3,819,604,743	15,870,950
Movements for the year ended 31 December 2018								
Total comprehensive income								
Net profit	33	-	-	-	-	-	3,215,975,491	-
Other comprehensive income	32	-	-	-	-	(47,088,217)	-	-
Total comprehensive income for the year		-	-	-	-	(47,088,217)	3,215,975,491	-
Capital contribution by shareholders		1,030,303,030	-	329,696,970	-	-	-	-
Appropriation to surplus reserve	31	-	-	-	76,547,357	-	(76,547,357)	-
Core employee stock ownership plan	30	-	-	(2,162,930)	-	-	-	-
Issuance of perpetual bonds		-	2,493,955,774	-	-	-	-	-
Provision for dividends on perpetual bonds		-	173,121,940	-	-	-	(173,121,940)	-
Distribution of dividends on perpetual bonds		-	-	-	-	-	(320,060,000)	-
Acquisition of minority interests		-	-	(8,629,050)	-	-	-	(15,870,950)
Effect of changes in other owners' equity in the investee under the equity method	11	-	-	357,270	-	-	-	-
Balance at 31 December 2018		12,251,700,410	9,036,387,714	1,084,819,351	420,028,990	(18,946,760)	6,465,850,937	-
Total owners' equity								22,503,615,684
								22,503,615,684
								59,747,570
								22,563,363,254
								3,168,887,274
								1,360,000,000
								(2,162,930)
								2,493,955,774
								(320,060,000)
								(24,500,000)
								357,270
								29,239,840,642

The accompanying notes form an integral part of these financial statements.

Legal representative:

Principal in charge of accounting:

Head of accounting department:

PING AN INTERNATIONAL FINANCIAL LEASING CO., LTD.

COMPANY STATEMENT OF CHANGES IN OWNERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

	Note 7	Paid-in capital	Other equity instruments	Capital surplus	Surplus reserve	Other comprehensive income	Undisturbed profits	Total owners' equity
Balance at 1 January 2019		12,251,700,410	9,036,387,714	1,084,854,125	420,028,990	(5,397,646)	3,161,268,248	25,948,841,841
Movements for the year ended 31 December 2019								
Total comprehensive income								
Net profit	33	-	-	-	-	-	1,170,804,490	1,170,804,490
Other comprehensive income	32	-	-	-	-	(45,495,342)	-	(45,495,342)
Total comprehensive income for the year		-	-	-	-	(45,495,342)	-	1,125,309,148
Capital contribution by shareholders		1,383,110,033	-	616,889,967	-	-	-	2,000,000,000
Appropriation to surplus reserve	31	-	-	-	117,080,449	-	(117,080,449)	-
Core employee stock ownership plan	30	-	-	(1,400,820)	-	-	-	(1,400,820)
Long-term service plan	30	-	-	(81,149,624)	-	-	-	(81,149,624)
Issuance of perpetual bonds		-	4,279,500,000	-	-	-	-	4,279,500,000
Repayment of perpetual bonds		-	(1,882,900,000)	(17,100,000)	-	-	-	(1,900,000,000)
Provision for dividends on perpetual bonds		-	-	-	-	-	-	-
Distribution of dividends on perpetual bonds		-	496,497,190	-	-	-	(496,497,190)	-
Effect of changes in other owners' equity in the investee under the equity method		-	(455,060,782)	-	-	-	-	(455,060,782)
		-	-	244,302,679	-	-	-	244,302,679
Balance at 31 December 2019		13,634,810,443	11,474,424,122	1,846,396,327	537,109,439	(50,892,988)	3,718,495,099	31,160,342,442

PING AN INTERNATIONAL FINANCIAL LEASING CO., LTD.

COMPANY STATEMENT OF CHANGES IN OWNERS' EQUITY (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

	Note 7	Paid-in capital	Other equity instruments	Capital surplus	Surplus reserve	Other comprehensive income	Undisturbed profits	Total owners' equity
Balance at 31 December 2017		11,221,397,380	6,369,310,000	756,962,815	343,481,633	(117,602,559)	3,017,222,199	21,590,771,468
Changes in accounting policies		-	-	-	-	111,445,799	(51,698,229)	59,747,570
Balance at 1 January 2018		11,221,397,380	6,369,310,000	756,962,815	343,481,633	(6,156,760)	2,965,523,970	21,650,519,038
Movements for the year ended 31 December 2018								
Total comprehensive income								
Net profit	33	-	-	-	-	-	765,473,575	765,473,575
Other comprehensive income	32	-	-	-	-	759,114	-	759,114
Total comprehensive income for the year		-	-	-	-	759,114	765,473,575	766,232,689
Capital contribution by shareholders		1,030,303,030	-	329,696,970	-	-	-	1,360,000,000
Appropriation to surplus reserve	31	-	-	-	76,547,357	-	(76,547,357)	-
Core employee stock ownership plan	30	-	-	(2,162,930)	-	-	-	(2,162,930)
Issuance of perpetual bonds	29	-	2,493,955,774	-	-	-	-	2,493,955,774
Provision for dividends on perpetual bonds		-	173,121,940	-	-	-	(173,121,940)	-
Distribution of dividends on perpetual bonds		-	-	-	-	-	(320,060,000)	(320,060,000)
Effect of changes in other owners' equity in the investee under the equity method		-	-	357,270	-	-	-	357,270
Balance at 31 December 2018		12,251,700,410	9,036,387,714	1,084,854,125	420,028,990	(5,397,646)	3,161,268,248	25,948,841,841

The accompanying notes form an integral part of these financial statements.

Legal representative:

Principal in charge of accounting:

Head of accounting department:

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

1 Company background and principal activities

Ping An International Financial Leasing Co., Ltd. (“the Group”) is a Sino-foreign joint venture enterprise incorporated by Ping An Insurance (Group) Company of China, Ltd. (“Ping An Group”) and China Ping An Insurance Overseas (Holding) Limited (“Ping An Overseas Holding”) on 27 September 2012 in Shenzhen, the People’s Republic of China. The Group is approved for establishment by Shanghai Municipal Commission of Commerce with Hu Shang Wai Zi Pi (2012) No. 3280. The approved operating period is 30 years. The registered capital is RMB 315 million.

In April 2018, according to the resolution of the Board of Directors, the Company’s registered capital was increased by approximately RMB 1.03 billion. The detail of this capital increase is that Ping An Group injected RMB 1.36 billion (approximately RMB 1.03 billion was included in registered capital and approximately RMB 330 million in capital surplus). In March 2019, the Company received a cash payment of RMB 1 billion from Ping An Overseas Holdings, among which RMB 730 million was included in paid-in capital and RMB 270 million was included in capital surplus. In June 2019, according to the resolution of the Board of Directors, the Company’s registered capital was increased by approximately RMB 660 million. The detail of this capital increase is that Ping An Group injected RMB 1 billion (approximately RMB 660 million was included in registered capital and approximately RMB 340 million in capital surplus). As at 31 December 2019, the Company received a cash payment of RMB 1 billion from Ping An Group, of which RMB 660 million was included in paid-in capital and RMB 340 million was included in capital surplus. As at 31 December 2019, when the capital injection was already completed, the Company’s registered capital amounted to RMB 13.89 billion and its paid-in capital was RMB 13.63 billion.

Ping An Group, as the Group’s ultimate controlling shareholder, directly and indirectly holds 69.44% and 30.56% of equity interests in the Group respectively.

The approved business scope of the Group and its subsidiaries (hereinafter collectively referred to as “the Group”) includes finance lease services; lease services; purchase of leased properties from home and abroad; selling off and repair of leased properties; consulting and guarantee of lease transactions; export factoring; domestic factoring; consulting services relating to business factoring; development of credit risk management platform; investment holding; aircraft leasing; investment management; investment consulting; technological development, technological consulting, technological services and technological transfer in areas of computer technology, network technology, electronic technology, information technology and medical and pharmaceutical technology; health consulting (excluding diagnosing and treating activities and psychological consulting) and other approved businesses.

These financial statements are authorised for issue by the Group’s Board of Directors on 13 March 2020.

2 Basis of preparation

The financial statements are prepared in accordance with the *Accounting Standards for Business Enterprises - Basic Standard*, the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereinafter collectively referred to as “the Accounting Standards for Business Enterprises” or “CASs”).

The financial statements are prepared on a going concern basis.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

3 Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the consolidated and company financial position of the Group and the Company as at 31 December 2019 and their financial performance, cash flows and other information for the year then ended.

4. Summary of significant accounting policies and accounting estimates

(1) Accounting year

The Company's accounting year starts on 1 January and ends on 31 December.

(2) Recording currency

The recording currency of Group is Renminbi ("RMB"). The recording currency of the Group's subsidiaries is determined based on the primary economic environment in which they operate, and the recording currency of the Group is RMB. The financial statements are presented in RMB.

(3) Foreign currency translation

(a) Foreign currency transactions

Foreign currency transactions are translated into recording currency using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into recording currency using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(b) Translation of foreign currency financial statements

The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates on the balance sheet date. Among the owners' equity items, the items other than "undistributed profits" are translated at the spot exchange rates of the transaction dates. The income and expense items in the income statement of foreign operations are translated at the spot exchange rates of the transaction dates. The differences arising from the above translation are recognised in other comprehensive income. The cash flows of foreign operations are translated at the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(4) Business combinations

Business combinations involving enterprises under common control

The consideration paid and net assets obtained by the absorbing party in a business combination are measured at the carrying amount. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (share premium). If the capital surplus (share premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

Business combinations involving enterprises not under common control

The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date. Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(5) Consolidated financial statements

The consolidated financial statements comprise the financial statements of the Group and all of its subsidiaries under control.

A subsidiary is an entity that can be controlled by the Group (including structured entity). Control exists when the investor has power over the investee, rights to variable returns from its involvement with the investee, and the ability to affect those returns via its power over the investee. Subsidiaries are consolidated from the date on which the Company obtains control and are de-consolidated from the date that such control ceases.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

Where the Company acts as an asset manager of structured entities, the Company will assess whether it is the agent or primarily responsible party of the structured entities. If the asset manager is just an agent, it does not control the structured entities for its acting on behalf of other parties (other investors of structured entities). However, if the asset manager is recognised to act on behalf of itself, it is the primarily responsible party who imposes controls on the structured entities.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(5) Consolidated financial statements (Cont'd)

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Company. For subsidiaries acquired from business combinations involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date. All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of subsidiaries' owners' equity and the portion of subsidiaries' net profits and losses and comprehensive incomes for the period not attributable to the Company are recognised as minority interests, net profit attributable to minority interests and total comprehensive incomes attributable to minority interests, and presented separately in the consolidated financial statements under owners' equity, net profit and total comprehensive income respectively. Unrealised profits and losses resulting from the sale of assets by the Company to its subsidiaries are fully eliminated against net profit attributable to owners of the parent. Unrealised profits and losses resulting from the sale of assets by a subsidiary to the Company are eliminated and allocated between net profit attributable to owners of the parent and minority interest income in accordance with the allocation proportion of the parent in the subsidiary. Unrealised profits and losses resulting from the sale of assets by one subsidiary to another are eliminated and allocated between net profit attributable to owners of the parent and net profit attributable to minority interests in accordance with the allocation proportion of the parent in the subsidiary.

If the accounting treatment of a transaction is inconsistent in the financial statements at the Group level and at the Company or its subsidiary level, adjustment will be made from the perspective of the Group.

For subsidiaries acquired from business combinations involving enterprises not under common control, the financial performance and cash flows of the acquiree are included in the consolidated financial statements from the date on which the Company obtains control and are de-consolidated from the date that such control ceases. The financial statements of subsidiaries are adjusted on the basis of the fair value of each identifiable asset, liability or contingent liability determined on the acquisition date when preparing the consolidated financial statements.

For a subsidiary that is acquired in a business combination involving enterprises under common control, the portion of the net profit realised before the combination date is presented separately in the consolidated income statement. In preparing the comparative consolidated financial statements, adjustments were made to relevant items in financial statements in previous periods as if the reporting entity formed after the consolidation had been in existence since the ultimate controlling party started to exercise effective control.

(6) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(7) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument.

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4 Summary of significant accounting policies and accounting estimates (Cont'd)

(7) Financial instruments (Cont'd)

(a) Financial assets

(i) Classification and measurement

Based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, financial assets are classified as: (1) financial assets at amortised cost; (2) financial assets at fair value through other comprehensive income; (3) financial assets at fair value through profit or loss.

For an investment in debt instruments, the classification is based on the business model and the characteristics of contractual cash flows of such investment. An investment that does not pass the test of cash flow characteristics will be directly classified as financial assets at fair value through profit or loss; while an investment that passes the test of cash flow characteristics will be classified on the basis of its business model; changes in fair value of investments in equity instruments are usually recognised into profit or loss, except for those designated at fair value through other comprehensive income.

The financial assets are measured at fair value at initial recognition. Related transaction costs that are attributable to the acquisition of the financial assets are included in the initially recognised amounts, except for the financial assets at fair value through profit or loss, the related transaction costs of which are recognised directly in profit or loss for the current period. Accounts receivable or notes receivable arising from sales of products or rendering of services (excluding or without regard to significant financing components) are initially recognised at the consideration that is entitled to be charged by the Group as expected.

Debt instruments

The debt instruments held by the Group refer to the instruments that meet the definition of financial liabilities from the perspective of the issuer, and are measured in the following three ways:

Measured at amortised cost:

The objective of the Group's business model is to hold the financial assets to collect the contractual cash flows, and the contractual cash flow characteristics are consistent with a basic lending arrangement, which gives rise on specified dates to the contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The interest income of such financial assets is recognised using the effective interest method. Such financial assets mainly comprise cash at bank and on hand, notes receivable, accounts receivable, other receivables, long-term receivables, etc.

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4 Summary of significant accounting policies and accounting estimates (Cont'd)

(7) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(i) Classification and measurement (Cont'd)

Measured at fair value through other comprehensive income:

The objective of the Group's business model is to hold the financial assets to both collect the contractual cash flows and sell such financial assets, and the contractual cash flow characteristics are consistent with a basic lending arrangement. Such financial assets are measured at fair value through other comprehensive income, except for the impairment gains or losses, foreign exchange gains and losses, and interest income calculated using the effective interest method which are recognised in profit or loss for the current period.

Measured at fair value through profit or loss:

Debt instruments held by the Group that are not divided into those at amortised cost, or those measured at fair value through other comprehensive income, or those measured at fair value through profit or loss are included in financial assets held for trading.

Equity instruments

Investments in equity instruments, over which the Group has no control, joint control or significant influence, are measured at fair value through profit or loss under financial assets held for trading.

(ii) Impairment

Expected credit losses (ECL) refer to the weighted average amount of credit losses of financial instruments of which the weight is the risk of default. Credit losses refer to the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive (i.e. the present value of all cash shortfalls).

For financial assets at amortised cost, financing commitments, etc., giving a consideration of reasonable and supportable information on past events, current conditions and forecasts of future economic conditions, and weighted by the risk of default, the Group recognises the expected credit loss as the probability-weighted amount of the present value of the difference between the cash flows receivable from the contract and the cash flows expected to collect. Significant assumptions and judgements in the measurement of ECL are set out below:

- i) the parameters of ECL measurement: probability of default (PD), loss given default (LGD), exposure at default (EAD), etc.;
- ii) criteria involved in the judgement of significant changes in credit risk;
- iii) forward-looking information

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4 Summary of significant accounting policies and accounting estimates (Cont'd)

(7) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(ii) Impairment (Cont'd)

For financial assets subject to the measurement of ECL, the Group assesses whether there is significant increase in credit risk or actual default occurs for relevant financial assets since initial recognition, establishes the “3 stages” impairment model of expected credit loss, and defines the different stages of impairment for each type of assets. With the forward-looking information, the Group determines the stages of impairment for assets under different circumstances, separately measures the provision for impairment, and recognised the expected credit loss and changes accordingly.

As at each balance sheet date, the ECL of financial instruments at different stages is measured respectively. 12-month ECL provision is recognised for financial instruments in Stage 1 that have not had a significant increase in credit risk since initial recognition; lifetime ECL provision is recognised for financial instruments in Stage 2 that have had a significant increase in credit risk yet without credit impairment since initial recognition; and lifetime ECL provision is recognised for financial instruments in Stage 3 that have had credit impairment since initial recognition.

For the financial instruments in Stage 1, Stage 2 and with lower credit risk, the Group calculates the interest income by applying the effective interest rate to the gross carrying amount (before deduction of the impairment provision). For the financial instrument in Stage 3, the interest income is calculated by applying the effective interest rate to the amortised cost (after deduction of the impairment provision from the gross carrying amount).

The Group recognises the loss provision made or reversed into profit or loss for the current period. For debt instruments held at fair value through other comprehensive income, the Group adjusts other comprehensive income while the impairment loss or gain is recognised in profit or loss for the current period.

The Group, on the basis of the exposure at default and the lifetime ECL rate, calculates the ECL of receivable that are classified into groupings with consideration to historical credit losses experience, current conditions and forecasts of future economic conditions.

(iii) Derecognition

A financial asset is derecognised when any of the below criteria is met: (1) the contractual rights to receive the cash flows from the financial asset expire; (2) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; or (3) the financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

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4 Summary of significant accounting policies and accounting estimates (Cont'd)

(7) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(iii) Derecognition (Cont'd)

When a financial asset is derecognised, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that are previously recognised directly in other comprehensive income is recognised in profit or loss for the current period, except for those as investments in equity instruments at fair value through other comprehensive income, the difference aforementioned is recognised in retained earnings instead.

(b) Financial liabilities

Financial liabilities are classified as financial liabilities at amortised cost and financial liabilities at fair value through profit or loss at initial recognition. The financial liabilities of the Group mainly comprise financial liabilities measured at amortised cost, including short-term borrowings, other payables, etc. Such financial liabilities are initially recognised at fair value, net of transaction costs incurred, and subsequently measured using the effective interest method.

A financial liability is derecognised or partly derecognised when the underlying present obligation is discharged or partly discharged. The difference between the carrying amount of the derecognised part of the financial liability and the consideration paid is recognised in profit or loss for the current period.

(c) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. During valuation, the Group adopts valuation techniques applicable in the current situation and supported by adequate available data and other information, selects inputs with the same characteristics as those of assets or liabilities considered in relevant transactions of assets or liabilities by market participants, and gives priority to the use of relevant observable inputs. When relevant observable inputs are not available or feasible, unobservable inputs are adopted.

(8) Inventories

Inventories include raw materials and goods in stock, and are measured at the lower of cost and net realisable value.

Provision for decline in the value of inventories is determined at the excess amount of the carrying amounts of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale and related taxes.

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4 Summary of significant accounting policies and accounting estimates (Cont'd)

(9) Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, and the Group's long-term equity investments in its joint ventures and associates.

(a) Subsidiaries

Subsidiaries are the investees over which the Company is able to exercise control. Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted to the equity method when preparing the consolidated financial statements.

Long-term equity investments accounted for using the cost method are measured at initial investment cost. Cash dividends or profit distributions declared by the investees are recognised as investment income in profit or loss.

(b) Joint ventures and associates

A joint venture is a joint arrangement which is structured through a separate vehicle over which the Group has joint control together with other parties and only has rights to the net assets of the arrangement based on legal forms, contractual terms and other facts and circumstances; An associate is the investee over which the Group has significant influence on its financial and operating policy decisions.

Investments in joint ventures and associates are accounted for using the equity method. Where the initial investment cost exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the investment is initially measured at that cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is included in profit or loss for the current period and the cost of the long-term equity investment is adjusted upwards accordingly.

Under the equity method of accounting, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group does not recognise further losses when the carrying amounts of the long-term equity investment together with any long-term interests that, in substance, form part of the Group's net investment in investees are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions are satisfied, the Group continues recognising the investment losses and the provisions at the amount it expects to undertake. The Group's share of the changes in investee's owners' equity other than those arising from the net profit or loss, other comprehensive income and profit distribution is recognised in capital surplus with a corresponding adjustment to the carrying amounts of the long-term equity investment. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by the investees. Unrealised gains or losses on transactions between the Group and its investees are eliminated to the extent of the Group's equity interest in the investees, based on which the investment income or losses are recognised. Any losses resulting from transactions between the Group and its investees, which are attributable to asset impairment losses are not eliminated.

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4 Summary of significant accounting policies and accounting estimates (Cont'd)
(10) Investment properties

Investment properties refer to the buildings that the Company leases to its subsidiaries, and are measured initially at cost. Subsequent expenditures incurred in relation to an investment property are included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Company and their costs can be reliably measured; otherwise, the expenditures are recognised in profit or loss for the period in which they are incurred.

Investment properties are subsequently measured using the cost model and depreciated on a straight-line basis. The estimated useful lives, the estimated net residual values that are expressed as a percentage of cost and the annual depreciation rates of investment properties are as follows:

	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Buildings	40 years	10%	2.25%

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property after its carrying amount and related taxes and expenses is recognised in profit or loss for the current period

(11) Fixed assets

Fixed assets comprise office equipment, computers and electronic equipment, motor vehicles, aircraft and buildings. Fixed assets purchased or constructed are initially measured at cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated net residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives and the estimated net residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are as follows:

	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Office equipment	5 years	5%	19.00%
Computers and electronic equipment	5 years	5%	19.00%
Motor vehicles	4 years	5%	23.75%
Aircraft	25 years	15%	3.40%
Buildings	40 years	10%	2.25%

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4 Summary of significant accounting policies and accounting estimates (Cont'd)

(11) Fixed assets (Cont'd)

The aircraft purchased by the Group are used for operating lease.

The estimated useful life and the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at each year-end.

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(12) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month.

(13) Intangible assets

Intangible assets are purchased computer software. They are measured at cost and amortised on the straight-line basis over their estimated useful lives of 3 years.

(14) Research and development

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at the end of the project.

Expenditure on the research phase is recognised in profit or loss in the period in which it is incurred. Expenditure on the development phase is capitalised only if all of the following conditions are satisfied:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset, and use or sell it;
- it can be demonstrated how the intangible asset will generate economic benefits;
- there are adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development phase can be reliably measured.

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development costs previously recognised as expenses are not recognised as an intangible asset in a subsequent period. Capitalised expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date that the asset is ready for its intended use.

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4 Summary of significant accounting policies and accounting estimates (Cont'd)

(15) Goodwill

Goodwill is recognised at the excess of the cost of a business combination involving enterprises not under common control over the interest in the fair value of the acquirees' identifiable net assets acquired in the business combination as at the acquisition date.

(16) Long-term prepaid expenses

Long-term prepaid expenses include the expenditure for improvements to fixed assets held under operating leases, and other expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

(17) Impairment of long-term assets

Fixed assets, construction in progress, intangible assets with finite useful lives, investment properties measured using the cost model and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows. Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

Goodwill that is separately presented in the financial statements is tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. In conducting the test, the carrying amount of goodwill is allocated to the related asset groups or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or a group of asset groups, including the allocated goodwill, is lower than its carrying amount, the corresponding impairment loss is recognised. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset group or group of asset groups in proportion to the carrying amounts of assets other than goodwill.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

(18) Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Group in exchange for service rendered by employees or for termination of employment relationship, which include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

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4 Summary of significant accounting policies and accounting estimates (Cont'd)

(18) Employee benefits (Cont'd)

(a) Short-term employee benefits

Short-term employee benefits include employee wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs, short-term paid absences, etc. The short-term employee benefits actually occurred are recognised as a liability in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets. Non-monetary benefits are measured at fair value.

(b) Post-employment benefits

The Group classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, the Group's post-employment benefits mainly include the premiums or contributions on basic pensions and unemployment insurance, both of which belong to defined contribution plans.

(c) Basic pensions

The Group's employees participate in the basic pension plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the basic pensions are calculated according to the bases and percentage prescribed by the relevant local authorities. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

(d) Termination benefits

The Group provides compensation for terminating the employment relationship with employees before the end of the employment contracts or as an offer to encourage employees to accept voluntary redundancy before the end of the employment contracts. The Group recognises a liability arising from compensation for termination of the employment relationship with employees, with a corresponding charge to profit or loss for the current period at the earlier of the following dates: 1) when the Group cannot unilaterally withdraw an employment termination plan or a curtailment proposal; 2) when the Group recognises costs or expenses for a restructuring that involves the payment of termination benefits.

The termination benefits expected to be paid within one year since the balance sheet date are classified as employee benefits payable.

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4 Summary of significant accounting policies and accounting estimates (Cont'd)

(18) Employee benefits (Cont'd)

(e) Share-based payment

Equity-settled share-based payment transactions

The Group operates an equity-settled and share-based compensation plan, under which the Group's ultimate controlling parent company grants options of its equity instruments to the Group's employees and the Group receives services from employees as consideration for the equity instruments. On the grant date, the payment of the options to the ultimate controlling parent company is made by the Group and is recognised in equity.

Based on the best estimation over the number of exercisable options, the Group records the services received in the current period in relevant costs or expenses at the fair value of the options on the grant date. The fair value of the options on the grant date:

- includes the impact of any market performance conditions (for example, an entity's share price);
- excludes the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and employee retention within a specified period of time); and
- includes the impact of any non-exercisable conditions (for example, the requirement for employees to save).

In estimating the number of exercisable options, the Group also takes non-market performance and service conditions into consideration. The total amount of cost and expenses is recognised during the vesting period. Vesting period refers to the period in which all specified vesting conditions will be satisfied.

In addition, in some circumstances, employees may provide services in advance of the grant date, and therefore the grant date fair value of the options shall be estimated at the beginning of the service period for the purpose of recognising the expenses for the period from the beginning of the service period to the grant date accordingly.

At the end of each reporting period, the Group revises its estimation on the number of options expected to be exercisable based on the non-marketing performance and service conditions. Also, it recognises the impact of the revision, if any, in the income statement, with a corresponding adjustment to equity.

The ultimate holding parent company settles with employees of the Group upon exercising of equity instruments.

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4 Summary of significant accounting policies and accounting estimates (Cont'd)

(19) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible tax losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, associates and joint ventures will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

Deferred tax assets and deferred tax liabilities are offset when:

- the deferred tax assets and liabilities are related to the same tax payer within the Group and the same taxation authority; and,
- that tax payer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

(20) Revenue recognition

Revenue is recognised when the Group fulfils the contract performance obligation and the customer obtains the control over relevant services. Obtaining the control over relevant services refers to that the customer can direct the provision of the services and receive most of the economic benefits.

(a) Sales of goods

The Group purchases mobile products and sells them to telecom operators. Revenue is recognised when the Group has delivered the products to the location specified in the sales contract and the operator has confirmed the acceptance of the products. Upon delivery of the products, the operator has the right to sell the products and takes the risks of any price fluctuation or obsolescence and loss of the products.

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4 Summary of significant accounting policies and accounting estimates (Cont'd)

(20) Revenue recognition (Cont'd)

(b) Rendering of Lease

Rental income from an operating lease is recognised on a straight-line basis over the period of the lease.

Income from a finance lease is recognised using the effective interest method over each period of the lease term.

(c) Rendering of services

The Group renders lease services, factoring services and entrusted loan services to other companies. Service revenue is measured at the transaction price allocated to each individual contract performance obligation. Transaction price refers to the consideration that an enterprise expects to have the right to collect for the transfer of goods to a customer. The Group determines transaction prices based on contract terms with its conventions. Meanwhile, the Group also takes into account factors such as variable consideration, significant financing components in the contracts, non-cash consideration, and consideration payable to customers. The amount with unconditional collection right obtained by the Group is recognised as receivables, and the rest is recognised as contract assets. Meanwhile, loss provision for receivables and contract assets are recognised on the basis of ECL. If the contract price received or receivable exceeds the amount for the completed services, the excess portion will be recognised as contract liabilities. Contract assets and contract liabilities under the same contract are presented on a net basis.

Revenue from lease services are recognised when they are rendered and the revenue can be reasonably estimated, and is listed in operating income.

(d) Interest income

Interest income mainly represents interests received from entrusted loan business, factoring business for debts receivable and bank deposits, and is calculated and determined using the effective interest rate and accrued until relevant funds are withdrawn or the use right thereof is recovered.

(21) Government grants

Government grants refer to the monetary or non-monetary assets obtained by the Group from the government, including tax return, financial subsidy, etc.

Government grants are recognised when the grants can be received and the Group can comply with all attached conditions. If a government grant is a monetary asset, it will be measured at the amount received or receivable. If a government grant is a non-monetary asset, it will be measured at its fair value. If it is unable to obtain its fair value reliably, it will be measured at its nominal amount.

Government grants related to assets refer to the government grants which are obtained by the Group for the purposes of purchase, construction or acquisition of the long-term assets. Government grants related to income refer to the government grants other than those related to assets.

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4 Summary of significant accounting policies and accounting estimates (Cont'd)

(21) Government grants (Cont'd)

Government grants related to assets are either deducted against the carrying amount of the assets, or recorded as deferred income and recognised in profit or loss on a systematic basis over the useful lives of the assets. Government grants related to income that compensate the future costs, expenses or losses are recorded as deferred income and recognised in profit or loss, or deducted against related costs, expenses or losses in reporting the related expenses; government grants related to income that compensate the incurred costs, expenses or losses are recognised in profit or loss, or deducted against related costs, expenses or losses directly in the current period. The Group applies the presentation method consistently to the similar government grants in the financial statements.

Government grants that are related to ordinary activities are included in operating profit, otherwise, they are recorded in non-operating income or expenses.

(22) Leases

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease. Lease payments under an operating lease are recognised on a straight-line basis over the period of the lease, and are either capitalised as part of the cost of related assets, or charged as an expense for the current period.

The Group shall fully consider all factors while actually classifying the leases, such as whether the ownership of the leased asset is transferred to the lessee when the term of lease expires, whether the lessee has the option to buy the leased asset, and the proportion of the lease term to the remaining use life of the leased asset. In accordance with the Accounting Standards for Business Enterprises, where a lease satisfies one or more of the following criteria, it shall be recognised as a finance lease:

- The ownership of the leased asset is transferred to the lessee when the term of lease expires;
- The lessee has the option to buy the leased asset at a price which is expected to be far lower than the fair value of the leased asset at the date when the option becomes exercisable. Thus, on the lease inception date, it can be reasonably determined that the option will be exercised by the lessee;
- The lease term covers the major part of the useful life of the leased asset even if the ownership of the leased asset is not transferred
- In the case of the lessee, the present value of the minimum lease payments on the lease inception date is approximately equivalent to the fair value of the leased asset on the lease inception date; in the case of the lessor, the present value of the minimum lease receipts on the lease inception date is approximately equivalent to the fair value of the leased asset on the lease inception date; and
- The leased asset is of a specialised nature that only the lessee can use it without making major modifications.

(a) Recording of operating lease by the Group as the lessee

Lease payments under an operating lease are recognised on a straight-line basis over the period of the lease, and are either capitalised as part of the cost of related assets, or charged as an expense for the current period.

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4 Summary of significant accounting policies and accounting estimates (Cont'd)

(22) Leases (Cont'd)

(b) Recording of operating lease by the Group as the lessor

When the Group is the lessor in an operating lease, the leased assets continue to be recognised as the Group's assets. Rental income from an operating lease is recognised on a straight-line basis over each period of the lease term in profit or loss. Initial direct costs with a significant amount are capitalised when incurred and recognised over each period of the lease term in profit or loss using the same method as the one used in recognising rental income. Other initial direct costs with an insignificant amount are recognised in profit or loss in the period in which they are incurred. Contingent rentals are recognised in profit or loss in the period in which they are incurred.

(c) Recording of finance lease by the Group as the lessor

On the lease inception date, the Group recognises finance lease receivables at the minimum lease receipts on the lease inception date, and records unguaranteed residual value at the same time. The difference between the aggregate of the minimum lease receipts and unguaranteed residual value and the sum of their present value is recognised as unrealised financing income.

The unrealised financing income is allocated to each period of the lease term using the effective interest method.

Finance lease receivables are derecognised when the rights to receive the cash from the finance lease receivables have expired or have been transferred, and all substantial risks and rewards regarding the lease have been transferred.

The Group periodically reviews the unguaranteed residual value. If there is evidence of a reduction in the unguaranteed residual value, the interest rate implicit in the lease will be re-calculated and the financing income will be reallocated during the lease period accordingly.

(23) Hedge accounting

The Group has designated certain derivative instruments as hedging instruments for cash flow hedging.

At the inception of a hedge, the entity will document the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. In addition, both at the inception of the hedge and in the period subsequent to this inception, the Group will record whether the hedging instrument can effectively offset the cash flow movements of the hedged items caused by hedging risks.

Cash flow hedging

For eligible derivative instruments that are designated as hedging instruments for cash flow hedging, the part of the fair value change that belongs to effective hedging is included in other comprehensive income, and the gains or losses related to the ineffective part are included in profit or loss for the current period.

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4 Summary of significant accounting policies and accounting estimates (Cont'd)

(23) Hedge accounting (Cont'd)

The amount originally included in other comprehensive income and accumulated in owners' equity will be reclassified to profit or loss in the period in which the profit or loss is affected by the hedged items, which is in line with the recognised hedged items. However, if the hedging of an expected transaction results in a non-financial asset or non-financial liability recognised by the Group, the gains or losses that have been included in other comprehensive income and accumulated in owners' equity will be removed from owners' equity and included in the initially measured cost of this non-financial asset or non-financial liability.

When the Group revokes a hedge relationship, or a hedging instrument expires or is sold, terminated, exercised, or no longer meets the criteria for hedge accounting, the Group will discontinue the hedge accounting treatments prospectively. Any gains or losses that have been included in other comprehensive income and accumulated in owners' equity will then be retained in owners' equity and be recognised when the expected transaction is finally included in profit or loss for the current period. If the expected transaction will not occur, the gains or losses accumulated in owners' equity are immediately included in profit or loss for the current period.

(24) Profit distribution

Proposed profit distribution is recognised as a liability in the period in which it is approved by the Board of Directors.

(25) Segment information

The Group identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. Two or more operating segments that have similar economic characteristics and satisfy certain conditions can be aggregated into one single operating segment.

As at 31 December 2019, the Group was managed as one main operating segment.

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4 Summary of significant accounting policies and accounting estimates (Cont'd)

(26) Critical accounting estimates and judgements

The Group continually evaluates the critical accounting estimates and key judgements applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The critical accounting estimates and key assumptions that will give rise to a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

(a) Measurement of ECL

For financial assets measured at amortised cost, the measurement of ECL involves complex models and a large number of assumptions. These models and assumptions involve future macro-economic conditions and the credit behaviours of the borrowers. The parameters, assumptions and valuation techniques used in the measurement of expected credit loss are detailed, and the sensitivity of the expected credit loss to changes in such factors is disclosed in "Credit risk" in Note 13 "Financial risk management".

It requires a lot of significant judgements to measure expected credit losses under relevant accounting standards, such as:

- ▶ judgement on criteria for significant increase in credit risk;
- ▶ selection of appropriate models and assumptions for measuring ECL;
- ▶ determination of quantity and weight of prospective scenarios required to be used in measuring ECL for different types of products; and
- ▶ grouping of financial instruments for measuring ECL, with items that have similar credit risk characteristics classified into a group.

(b) Classification of financial assets

Significant judgements made by the Group in the classification of financial assets include business model and analysis on contractual cash flow characteristics.

The business model for managing financial assets refers to the way to manage financial assets to generate cash flows. The business model decides whether the cash flows of financial assets under management are from collecting contract cash flows or sales of financial assets, or both. The business model for managing financial assets is not determined by one factor or one activity, but by all relevant evidences available in evaluation. The major evidences include but are not limited to: the ways to collect the cash flows and performance of such assets and report to key management in the past, the way to assess and manage risks.

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4 Summary of significant accounting policies and accounting estimates (Cont'd)

(26) Critical accounting estimates and judgements (Cont'd)

(b) Classification of financial assets (Cont'd)

Contractual cash flow characteristics of a financial asset refer to those cash flow attributes agreed in a financial asset contract which reflect the economic characteristics of the financial asset. That is, contractual cash flows of the financial asset generated on a specific date are solely payments of principal and interest on the principal amount outstanding. Principal is the fair value of the financial assets at initial recognition and may change over the life of the financial asset due to prepayments and others. Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

(c) Fair value of financial instruments

The Group uses valuation models to calculate the fair value of financial instruments that are not quoted in an active market. Valuation models include discounted cash flow model, etc. In practice, observable data shall be used in the discounted cash flow model as much as possible, but management still needs to make estimates on factors such as the credit risk of transacting parties, market volatility and correlation. Changes in above factors will impact the valuation of fair value of financial instruments.

(d) Income tax

There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is required from the Group in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The estimation on deferred tax assets requires an estimation on taxable income and applicable tax rate of the future years; the realisation of deferred tax assets depends on whether the Group can possibly obtain sufficient taxable income in the future years. The changes in future tax rate and the timing of the reversal of the temporary difference may impact income tax expenses/(income) and the balance of deferred income tax. The changes in the above estimates may result in significant adjustments to deferred income taxes.

(e) Derecognition of financial assets

The nature of transfer of financial assets is asset-backed securitisation. In determining whether transfer of financial assets complies with derecognition criteria, the Group needs to assess whether the right to receive the cash flows from the financial asset has been transferred to another party or contractual cash flows have been transferred to another party once "processed", whether substantially all the risks and rewards of ownership of the financial asset were transferred and whether it abandons control of the transferred financial asset.

(f) Consolidation of structured entities

For structured entities managed or invested by the Group, the Group will assess whether it is the agent or primarily responsible party of the structured entities. During the evaluation, the Group considers many factors and re-evaluate regularly to assess whether it takes the role as the principal or agent, such as: the scope of asset manager's decision-making power, rights held by other parties, salary levels as management service provider, and any other arrangements (such as direct investment) which could affect the exposure to variable returns from its involvement.

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5 Taxation

The main categories and rates of taxes applicable to the Group are set out below:

Category	Tax rate	Tax base
Enterprise income tax (a)	25%/16.5%/12.5%/0%	Taxable income
Value-added tax ("VAT") (b)	17%/16%/10%/6%	Taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of the current period)
City maintenance and construction tax	7%/5%	The payment amount of VAT

- (a) (i) The Company and its domestic subsidiaries are subject to enterprise income tax at the applicable tax rate of 25%; the Company's overseas subsidiaries make tax declaration according to the applicable tax laws and regulations in the places where they are located. Specifically,

The Company's subsidiaries incorporated in Hong Kong Special Administrative Region (HKSAR) (Note 6) are subject to Hong Kong profit tax at the applicable tax rate of 16.5%;

The Company's subsidiaries incorporated in the Republic of Ireland (Note 6) are subject to the enterprise income tax of Ireland at the applicable tax rate of 12.5%;

The Company's subsidiaries incorporated in the British Virgin Islands (Note 6) are subject to the enterprise income tax of the British Virgin Islands at the applicable tax rate of 0%.

(ii) Pursuant to the *Circular on Enterprise Income Tax Policy concerning Deductions for Equipment and Appliances* (Cai Shui [2018] No. 54) issued by the State Administration of Taxation, during the period from 1 January 2018 to 31 December 2020, the cost of newly purchased equipment with the original cost less than RMB 5 million can be fully deducted against taxable profit in the next month after the asset is put into use, instead of being depreciated annually for tax filing.

- (b) Pursuant to the *Announcement on Relevant Policies for Deepening the Value-added Tax Reform* issued by the Ministry of Finance, the State Taxation Administration and the General Administration of Customs (Announcement [2019] No. 39 of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs), the Company, as a modern service enterprise, is allowed to credit the amount of input tax deductible in the current period plus 10% thereof against the VAT payable from 1 April 2019 to 31 December 2021.

Interest income arising from financing leaseback contracts for tangible and movable properties, factoring contracts and entrusted loan contracts entered into by the Group is subject to VAT at the applicable tax rate of 6%.

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6 Subsidiaries

Subsidiaries included in the consolidation scope as at 31 December 2019 are as follows:

	Place of registration	Major business location	Nature of business	Shareholding (%) (Note 1)		Voting rights (%) (Note 1)	Method of acquisition
				Direct	Indirect		
Ping An Commercial Factoring Co., Ltd.	Shanghai	Shanghai	Commercial factoring	100%	-	100%	Established
Ping An International Finance Co., Ltd.	BVI	BVI	Project financing	100%	-	100%	Established
Gold One Investment Limited	BVI	BVI	Operating leases	-	100%	100%	Acquired
Ping An Haoyi Investment Management Co., Ltd.	Shanghai	Shanghai	Investment management	100%	-	100%	Established
Nanchang Ping An Haoyi Medical Imaging Centre Co., Ltd.	Nanchang	Nanchang	Imaging Centre	-	100%	100%	Established
Ping An International Financial Leasing (Tianjin) Co., Ltd.	Tianjin	Tianjin	Finance leases	50%	50%	100%	Established
Ping An International Financial Leasing (Shenzhen) Co., Ltd.	Shenzhen	Shenzhen	Finance leases	75%	25%	100%	Established
Ping An Wangying Communication Technology Co., Ltd.	Shanghai	Shanghai	Communication technology	100%	-	100%	Established
Nanchang Wangying Industrial Development Co., Ltd.	Nanchang	Nanchang	Communication technology	-	100%	100%	Established
Ping An Cheguanjia Auto Lease Company	Tianjin	Tianjin	Auto leases	100%	-	100%	Established
Ping An Aviation Capital Company Limited	Hong Kong	Hong Kong	Investment management	100%	-	100%	Established
Ping An Leasing Hong Kong Holdings Limited	Hong Kong	Hong Kong	Investment management	100%	-	100%	Established
Wuhan Ping An Haoyi Medical Imaging Diagnoses Centre Co., Ltd.	Wuhan	Wuhan	Imaging Centre	-	100%	100%	Established
Xiangyang Ping An Haoyi Medical Imaging Co., Ltd.	Xiangyang	Xiangyang	Imaging Centre	-	100%	100%	Established
Chongqing Ping An Haoyi Jingwei Polyclinic Co., Ltd.	Chongqing	Chongqing	Medical service	-	100%	100%	Established
Guangzhou Ping An Haoyi Medical Imaging Diagnoses Co., Ltd.	Guangzhou	Guangzhou	Imaging Centre	-	100%	100%	Established
Ping An Haoyi (Tianjin) Medical Imaging Co., Ltd.	Tianjin	Tianjin	Imaging Centre	-	100%	100%	Established
Ping An Haoyi Chongqing Medical Imaging Centre Co., Ltd.	Chongqing	Chongqing	Imaging Centre	-	100%	100%	Established
Nanchang Ping An Haoyi Health Examination Centre Co., Ltd.	Nanchang	Nanchang	Health Examination Centre	-	100%	100%	Established
Ping An Haoyi (Wuhan) Polyclinic Co., Ltd.	Wuhan	Wuhan	Medical service	-	100%	100%	Established
Hefei Ping An Haoyi Medical Imaging Centre Co., Ltd.	Hefei	Hefei	Imaging Centre	-	100%	100%	Established
Ping An Haoyi Xiangyang Polyclinic Co., Ltd.	Xiangyang	Xiangyang	Medical service	-	100%	100%	Established
Hefei National High-tech Industry Development Zone Ping An Haoyi Polyclinic Co., Ltd.	Hefei	Hefei	Medical service	-	100%	100%	Established

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6 Subsidiaries (Cont'd)

Subsidiaries included in the consolidation scope as at 31 December 2019 (Cont'd):

	Place of registration	Major business location	Nature of business	Shareholding (%) (Note 1)		Voting rights (%) (Note 1)	Method of acquisition
				Direct	Indirect		
Nanchang Ping An Haoyi Polyclinic Co., Ltd.	Nanchang	Nanchang	Medical service	-	100%	100%	Established
Chengdu Ping An Haoyi Medical Imaging Diagnoses Co., Ltd.	Chengdu	Chengdu	Imaging Centre	-	100%	100%	Established
Guangzhou Ping An Haoyi Health Examination Centre Co., Ltd. (Note 3)	Guangzhou	Guangzhou	Medical service	-	100%	100%	Established
Shenyang Ping An Haoyi Medical Imaging Diagnoses Centre Co., Ltd. (Note 3)	Shenyang	Shenyang	Imaging Centre	-	100%	100%	Established
Shenyang Heping Ping An Haoyi Polyclinic Co., Ltd. (Note 3)	Shenyang	Shenyang	Medical service	-	100%	100%	Established
Xiamen Zhouxin Medical Imaging Diagnoses Centre Co., Ltd. (Note 2)	Xiamen	Xiamen	Imaging Centre	-	80%	80%	Acquired
Xiamen Zhouxin Polyclinic Co., Ltd. (Note 2)	Xiamen	Xiamen	Medical service	-	80%	80%	Acquired
Ping An Dianchuang International Financial Leasing Co., Ltd. (Note 4)	Shanghai	Shanghai	Finance leases	75%	25%	100%	Established
Shanghai Ping An Dianchuang Equipment Leasing Co., Ltd. (Note 4)	Shanghai	Shanghai	Finance leases	-	100%	100%	Established
Ping An Aircraft Leasing Company Limited (Note 5)	Ireland	Ireland	Aircraft lease	-	100%	100%	Established
PAAL Jupiter Company Limited (Note 5)	Ireland	Ireland	Aircraft lease	-	100%	100%	Established
PAAL Saturn Company Limited (Note 5)	Ireland	Ireland	Aircraft lease	-	100%	100%	Established
PAAL Aquila Company Limited (Note 5)	Ireland	Ireland	Aircraft lease	-	100%	100%	Established
PAAL Gemini Company Limited (Note 5)	Ireland	Ireland	Aircraft lease	-	100%	100%	Established
PAAL Neptune Company Limited (Note 5)	Ireland	Ireland	Aircraft lease	-	100%	100%	Established
PAAL Earth Company Limited (Note 5)	Ireland	Ireland	Aircraft lease	-	100%	100%	Established
PAAL Andromeda Company Limited (Note 5)	Ireland	Ireland	Aircraft lease	-	100%	100%	Established
PAAL Antlia Company Limited (Note 5)	Ireland	Ireland	Aircraft lease	-	100%	100%	Established
PAAL Mercury Company Limited (Note 5)	Ireland	Ireland	Aircraft lease	-	100%	100%	Established
PAAL Apus Company Limited (Note 5)	Ireland	Ireland	Aircraft lease	-	100%	100%	Established
PAAL Caelum Company Limited (Note 5)	Ireland	Ireland	Aircraft lease	-	100%	100%	Established
PAAL Aircraft Assets Company Limited (Note 5)	Ireland	Ireland	Aircraft lease	-	100%	100%	Established
PAAL Aquarius Company Limited (Note 5)	Ireland	Ireland	Aircraft lease	-	100%	100%	Established
PAAL Auriga Company Limited (Note 5)	Ireland	Ireland	Aircraft lease	-	100%	100%	Established
PAAL Venus Company Limited (Note 5)	Ireland	Ireland	Aircraft lease	-	100%	100%	Established

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6 Subsidiaries (Cont'd)

Subsidiaries included in the consolidation scope as at 31 December 2019 (Cont'd)

	Place of registration	Major business location	Nature of business	Shareholding (%) (Note 1)		Voting rights (%) (Note 1)	Method of acquisition
				Direct	Indirect		
PAAL Mars Company Limited (Note 5)	Ireland	Ireland	Aircraft lease	-	100%	100%	Established
PAAL Ara Company Limited (Note 5)	Ireland	Ireland	Aircraft lease	-	100%	100%	Established
Ping An Aircraft Leasing (Labuan) Limited (Note 5)	Malaysia	Malaysia	Aircraft lease	-	100%	100%	Established
PAAL Aries Company Limited (Note 5)	Ireland	Ireland	Aircraft lease	-	100%	100%	Established
PAAL Cetus Company Limited (Note 5)	Ireland	Ireland	Aircraft lease	-	100%	100%	Established
PAAL Canes Company Limited (Note 5)	Ireland	Ireland	Aircraft lease	-	100%	100%	Established

Note 1: The shareholding percentage is the sum of the direct shareholding and indirect shareholding percentages calculated by multiplying the shareholding percentage of each layer; the percentage of voting rights is the sum of the percentage directly held by the Group and that indirectly held through investees controlled by the Group.

Note 2: On 30 November 2019, Ping An Haoyi Investment Management Co., Ltd., subsidiary of Ping An Financial Leasing, acquired 80% of the equity interests in Xiamen Zhouxin Medical Imaging Diagnoses Centre Co., Ltd. (Note 8) from Xiamen Zhouxin Medical Imaging Co., Ltd.

Note 3: Three wholly-owned subsidiaries newly established by Ping An Haoyi Investment Management Co., Ltd. in 2019.

Note 4: As at 30 September 2019, Ping An Financial Leasing transferred 100% equity it directly and indirectly held in Ping An Dianchuang International Financial Leasing Co., Ltd. and Ping An Dianchuang's subsidiaries at RMB 1,243,378,204 to HealthKconnect Medical and Health Technology Management Company (HK) Limited. Investment income arising from the disposal was RMB 61,673,556. (See Note 7(44), Note 12(2)(j)).

Note 5: As at 30 November 2019, Ping An Aviation Capital Company Limited, subsidiary of Ping An Financial Leasing, transferred 100% equity it held in Ping An Aircraft Leasing Company Limited at USD 112,999,822 (equivalent to RMB 796,036,030) to Clover Aviation Capital Company Limited. Investment income arising from the disposal was RMB 185,041,441. (See Note 7(44)).

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7 Notes to the consolidated financial statements

(1) Cash at bank and on hand

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Cash at bank	8,912,836,468	18,193,669,428	5,795,008,270	11,943,463,280
Other cash balances	1,468,439,264	2,181,467,479	852,491,156	1,139,986,155
	<u>10,381,275,732</u>	<u>20,375,136,907</u>	<u>6,647,499,426</u>	<u>13,083,449,435</u>

As at 31 December 2019 and 31 December 2018, other cash balances were the Group's short-term borrowings, and deposits for bank acceptance notes and letter of guarantee.

(2) Financial assets held for trading

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Monetary fund	5,358,000,000	300,000,000	4,508,000,000	300,000,000
Wealth management products (Note 9(1)(b))	2,008,503,136	-	2,008,503,136	-
Structured deposits	2,000,267,123	-	1,500,267,123	-
Trust investments (Note 9(1)(b))	122,669,115	161,219,394	122,669,115	161,219,394
	<u>9,489,439,374</u>	<u>461,219,394</u>	<u>8,139,439,374</u>	<u>461,219,394</u>

(3) Notes receivable

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Trade acceptance notes	-	7,602,000	-	-
Bank acceptance notes	795,118,981	743,073,109	772,663,059	314,889,001
	<u>795,118,981</u>	<u>750,675,109</u>	<u>772,663,059</u>	<u>314,889,001</u>

(4) Accounts receivable

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Accounts receivable from health examination	19,831,160	864,133	-	-
Accounts receivable from imaging	6,945,605	2,805,964	-	-
Accounts receivable from polyclinic	5,187	-	-	-
	<u>26,781,952</u>	<u>3,670,097</u>	<u>-</u>	<u>-</u>

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7 Notes to the consolidated financial statements (Cont'd)

(5) Derivative financial instruments

The Group 31 December 2019	Hedging instruments		Non-hedging instruments		Total	
	Nominal amount	Fair value Assets Liabilities	Nominal amount	Fair value Assets Liabilities	Nominal amount	Fair value Assets Liabilities
Foreign exchange forward	6,642,737,640	88,707,575 55,415,451	1,001,004,310	19,001,424 8,326,650	7,643,741,950	107,708,999 63,742,101
Interest rate swap	3,233,468,700	- 57,272,438	2,444,700,000	398,898 28,714	5,678,168,700	398,898 57,301,152
Total	9,876,206,340	88,707,575 112,687,889	3,445,704,310	19,400,322 8,355,364	13,321,910,650	108,107,897 121,043,253
The Group 31 December 2018	Hedging instruments		Non-hedging instruments		Total	
	Nominal amount	Fair value Assets Liabilities	Nominal amount	Fair value Assets Liabilities	Nominal amount	Fair value Assets Liabilities
Foreign exchange forward	3,340,947,051	66,610,330 20,588,372	460,000,000	879,817 -	3,800,947,051	67,490,147 20,588,372
Interest rate swap	7,858,609,545	53,869,376 19,562,199	2,444,700,000	96,334 2,167,988	10,303,309,545	53,965,710 21,730,187
Total	11,199,556,596	120,479,706 40,150,571	2,904,700,000	976,151 2,167,988	14,104,256,596	121,455,857 42,318,559

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7 Notes to the consolidated financial statements (Cont'd)

(5) Derivative financial instruments (Cont'd)

The Company 31 December 2019	Hedging instruments		Non-hedging instruments		Total	
	Nominal amount	Fair value Assets Liabilities	Nominal amount	Fair value Assets Liabilities	Nominal amount	Fair value Assets Liabilities
Foreign exchange forward	6,129,986,940	70,163,525 55,415,451	541,004,310	19,001,424 -	6,670,991,250	89,164,949 55,415,451
Interest rate swap	348,810,000	- 5,122,702	2,444,700,000	398,898 28,714	2,793,510,000	398,898 5,151,416
Total	6,478,796,940	70,163,525 60,538,153	2,985,704,310	19,400,322 28,714	9,464,501,250	89,563,847 60,566,867
The Company 31 December 2018	Hedging instruments		Non-hedging instruments		Total	
	Nominal amount	Fair value Assets Liabilities	Nominal amount	Fair value Assets Liabilities	Nominal amount	Fair value Assets Liabilities
Foreign exchange forward	720,636,000	- 7,061,663	-	- -	720,636,000	- 7,061,663
Interest rate swap	480,424,000	564,349 1,709,858	2,444,700,000	96,334 2,167,987	2,925,124,000	660,683 3,877,845
Total	1,201,060,000	564,349 8,771,521	2,444,700,000	96,334 2,167,987	3,645,760,000	660,683 10,939,508

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7 Notes to the consolidated financial statements (Cont'd)

(5) Derivative financial instruments (Cont'd)

Nominal amounts of derivative financial instruments classified by original currency are listed as follows:

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
RMB	2,904,700,000	2,904,700,000	2,444,700,000	2,444,700,000
USD	10,417,210,650	8,693,624,596	7,019,801,250	1,201,060,000
HKD	-	2,505,932,000	-	-
	<u>13,321,910,650</u>	<u>14,104,256,596</u>	<u>9,464,501,250</u>	<u>3,645,760,000</u>

(6) Other receivables

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Related-party borrowings	4,606,928,912	55,000,000	40,980,657,681	23,049,968,578
Advances paid on behalf of related parties	652,054,213	18,582,533	1,582,194,049	2,347,672,966
Overdue interest receivable	62,854,525	86,369,469	17,664,654	541,554,348
Deposits and guaranty	172,525,124	132,604,234	163,042,786	120,037,493
Advances to suppliers	47,514,571	724,644,749	31,708,931	3,170,722
Operating lease receivables	1,208,627	4,740,755	-	-
Others	93,226,191	47,488,974	37,674,661	31,125,708
	<u>5,636,312,163</u>	<u>1,069,430,714</u>	<u>42,812,942,762</u>	<u>26,093,529,815</u>

Note: Other receivables mainly comprise related-party borrowings and advances within Ping An Group. The Group expects that there is no significant credit risk. Management does not expect that there will be any significant losses from non-performance by these counterparties.

(7) Inventories

	The Group			
	31 December 2018	Increase in the current year	Decrease in the current year	31 December 2019
Cost - Finished goods	56,241,524	818,654,460	(864,342,170)	10,553,814
	31 December 2018	Reversal in the current year	Write-off in the current year	31 December 2019
Less: Provision for decline in the value of inventories	(4,314,642)	1,977,239	2,337,403	-
	<u>51,926,882</u>			<u>10,553,814</u>

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7 Notes to the consolidated financial statements (Cont'd)

(8) Other current assets

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Estimated VAT to be deducted	328,084,972	75,388,812	126,806,362	-
Prepaid expenses	54,314,265	12,999,544	-	3,339,429
	<u>382,399,237</u>	<u>88,388,356</u>	<u>126,806,362</u>	<u>3,339,429</u>

(9) Current portion of non-current assets

As at 31 December 2019 and 31 December 2018, current portion of non-current assets of the Group and the Company was current portion of long-term receivables (Note 7(10)).

(10) Long-term receivables

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Finance lease receivables (a)	183,884,662,009	165,122,004,367	103,777,888,257	89,208,915,267
Factoring receivables (b)	19,831,132,764	15,641,333,671	3,859,473,454	3,310,834,306
Entrusted loans (c)	12,066,524,815	10,600,082,460	8,669,650,502	9,107,870,594
Instalment receivables (d)	15,725,014	19,048,859	-	-
Related-party borrowings receivables	-	-	107,572,510	9,902,929,509
Sub-total	<u>215,798,044,602</u>	<u>191,382,469,357</u>	<u>116,414,584,723</u>	<u>111,530,549,676</u>
Less: Current portion of finance lease receivables	(74,238,944,197)	(55,152,622,836)	(42,609,006,470)	(29,590,168,123)
Less: Current portion of factoring receivables	(12,425,999,727)	(8,618,896,438)	(1,867,644,920)	(1,855,243,350)
Less: Current portion of entrusted loans	(8,740,434,015)	(4,404,328,382)	(7,508,655,898)	(2,166,966,638)
Less: Current portion of instalment receivables	(15,725,014)	(19,048,859)	-	-
Less: Current portion of related-party borrowings receivables	-	-	(107,572,510)	(95,164,000)
Sub-total	<u>120,376,941,649</u>	<u>123,187,572,842</u>	<u>64,321,704,925</u>	<u>77,823,007,565</u>

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7 Notes to the consolidated financial statements (Cont'd)

(10) Long-term receivables (Cont'd)

(a.1)	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Finance lease receivables	207,738,474,523	190,563,496,871	116,372,401,286	102,243,371,804
Add: Interest receivable	2,445,003,312	1,387,363,916	1,585,979,185	694,277,029
Less: Unrealised financing income	(22,683,157,023)	(24,286,068,703)	(11,636,748,890)	(12,101,500,426)
Provision for impairment loss	(3,615,658,803)	(2,542,787,717)	(2,543,743,324)	(1,627,233,140)
Finance lease receivables - net	<u>183,884,662,009</u>	<u>165,122,004,367</u>	<u>103,777,888,257</u>	<u>89,208,915,267</u>

(a.2) For finance lease receivables, the minimum lease receipts to be received for each of the three consecutive accounting years since the balance sheet date are as follows:

The Group	31 December 2019	%	31 December 2018	%
Within 1 year	83,167,911,449	40.04%	63,338,273,556	33.24%
1 to 2 years	56,856,507,355	27.37%	51,268,693,822	26.90%
2 to 3 years	38,847,763,008	18.70%	39,202,908,309	20.57%
Over 3 years	<u>28,866,292,711</u>	<u>13.89%</u>	<u>36,753,621,184</u>	<u>19.29%</u>
	<u>207,738,474,523</u>	<u>100.00%</u>	<u>190,563,496,871</u>	<u>100.00%</u>
The Company	31 December 2019	%	31 December 2018	%
Within 1 year	47,692,953,833	40.99%	33,584,326,610	32.85%
1 to 2 years	31,691,003,745	27.23%	28,264,743,262	27.65%
2 to 3 years	21,994,302,848	18.90%	23,039,771,801	22.53%
Over 3 years	<u>14,994,140,860</u>	<u>12.88%</u>	<u>17,354,530,131</u>	<u>16.97%</u>
	<u>116,372,401,286</u>	<u>100.00%</u>	<u>102,243,371,804</u>	<u>100.00%</u>

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7 Notes to the consolidated financial statements (Cont'd)
(10) Long-term receivables (Cont'd)
(a.3) The analysis of finance lease receivables by industry is as follows:

The Group	31 December 2019	%	31 December 2018	%
Utilities	55,166,846,056	26.54%	52,450,852,053	27.52%
Energy and metallurgy	28,140,110,927	13.55%	28,111,193,682	14.75%
Auto financing services	26,511,700,452	12.76%	19,816,788,046	10.40%
Education, culture and tourism	24,869,625,259	11.97%	18,942,797,668	9.94%
Health & hygiene	16,620,844,835	8.00%	26,251,986,886	13.77%
Infrastructure	16,047,999,569	7.73%	16,400,528,523	8.61%
Manufacturing and processing	15,718,143,598	7.57%	13,487,875,876	7.08%
Urban development	11,914,638,244	5.74%	2,241,889,438	1.18%
Information electronics	2,261,200,720	1.09%	275,635,684	0.14%
Textile, print and packaging	2,125,173,104	1.02%	3,631,152,598	1.90%
Food industry	1,466,642,518	0.71%	202,580,061	0.11%
Others (Note)	6,895,549,241	3.32%	8,750,216,356	4.60%
	<u>207,738,474,523</u>	<u>100.00%</u>	<u>190,563,496,871</u>	<u>100.00%</u>
The Company	31 December 2019	%	31 December 2018	%
Auto financing services	21,697,805,041	18.64%	16,847,773,926	16.47%
Education, culture and tourism	19,099,236,999	16.41%	14,118,580,620	13.81%
Energy and metallurgy	15,814,878,560	13.59%	16,744,070,091	16.38%
Utilities	15,258,757,532	13.11%	12,619,303,413	12.34%
Health & hygiene	14,218,647,715	12.22%	20,661,788,293	20.21%
Manufacturing and processing	11,295,695,640	9.71%	8,798,126,138	4.55%
Infrastructure	5,411,796,080	4.65%	5,968,572,981	5.42%
Urban development	5,091,305,965	4.38%	2,131,118,916	2.08%
Information electronics	2,261,200,720	1.94%	275,635,684	0.27%
Textile, print and packaging	1,022,407,520	0.88%	369,499,877	0.36%
Food industry	244,030,924	0.21%	70,317,594	0.07%
Others (Note)	4,956,638,590	4.26%	3,638,584,271	8.04%
	<u>116,372,401,286</u>	<u>100.00%</u>	<u>102,243,371,804</u>	<u>100%</u>

Note: Other industries include technology, environmental protection, logistics and small and micro enterprise financing.

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7 Notes to the consolidated financial statements (Cont'd)
(10) Long-term receivables (Cont'd)

- (a.4) As at 31 December 2019, the top five finance lease receivables of the Group and the Company in terms of balance are analysed as follows:

	The Group		The Company	
	Amount	% of finance lease receivables	Amount	% of finance lease receivables
The top five finance lease receivables	<u>7,274,619,730</u>	<u>3.50%</u>	<u>4,383,301,918</u>	<u>3.77%</u>

As at 31 December 2018, the top five finance lease receivables of the Group and the Company in terms of balance are analysed as follows:

	The Group		The Company	
	Amount	% of finance lease receivables	Amount	% of finance lease receivables
The top five finance lease receivables	<u>7,366,065,000</u>	<u>4.46%</u>	<u>4,190,779,872</u>	<u>4.70%</u>

- (a.5) For the year ended 31 December 2019, the Group wrote off finance lease receivables of RMB 427,330,809 (2018: RMB 160,184,151). See specific write-off policy in Note 13 2(1)(ii).

- (a.6) Provision for bad debts of finance lease receivables is analysed below:

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Balance at the beginning of the year	2,542,787,717	1,656,117,679	1,627,233,140	1,224,556,430
Provision in the current year	1,544,212,371	1,046,854,189	1,318,835,877	562,860,861
Write-off in the current year	(427,330,809)	(160,184,151)	(402,325,693)	(160,184,151)
Transfer due to disposal of subsidiaries	<u>(44,010,476)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at the end of the year	<u>3,615,658,803</u>	<u>2,542,787,717</u>	<u>2,543,743,324</u>	<u>1,627,233,140</u>

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7 Notes to the consolidated financial statements (Cont'd)

(10) Long-term receivables (Cont'd)

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Factoring receivables	20,086,386,087	15,906,889,864	3,900,322,616	3,417,664,252
Add: Interest receivable	98,280,442	58,355,373	37,538,382	22,377,931
Less: Provision for impairment loss	(353,533,765)	(323,911,566)	(78,387,544)	(129,207,877)
Factoring receivables	<u>19,831,132,764</u>	<u>15,641,333,671</u>	<u>3,859,473,454</u>	<u>3,310,834,306</u>

(b.2) The analysis of factoring receivables by industry is as follows:

	The Group			
	31 December 2019	%	31 December 2018	%
Infrastructure	11,245,683,472	55.98%	8,903,123,448	55.97%
Finance leases	3,750,017,416	18.67%	1,740,303,590	10.94%
Manufacturing and processing	2,451,474,886	12.20%	2,430,617,174	15.28%
Utilities	1,036,947,371	5.16%	798,786,314	5.02%
Health & hygiene	543,416,248	2.71%	694,513,038	4.37%
Food industry	274,589,526	1.37%	251,561,546	1.58%
Education, culture and tourism	263,778,723	1.31%	379,514,315	2.39%
Energy and metallurgy	227,431,085	1.13%	405,596,239	2.55%
Textile, print and packaging	117,790,559	0.59%	216,759,658	1.36%
Information electronics	93,841,018	0.47%	55,495,669	0.35%
Others (Note)	81,415,783	0.41%	30,618,873	0.19%
	<u>20,086,386,087</u>	<u>100.00%</u>	<u>15,906,889,864</u>	<u>100.00%</u>

	The Company			
	31 December 2019	%	31 December 2018	%
Infrastructure	2,618,382,346	67.13%	2,314,327,953	67.72%
Health & hygiene	540,429,451	13.86%	478,189,044	13.99%
Finance leases	324,992,282	8.33%	-	-
Food industry	118,866,846	3.05%	132,235,930	3.87%
Energy and metallurgy	109,195,833	2.80%	296,748,918	8.68%
Manufacturing and processing	83,575,044	2.14%	62,705,496	1.83%
Education, culture and tourism	69,704,820	1.79%	77,255,818	2.26%
Utilities	7,825,169	0.20%	-	-
Others (Note)	27,350,825	0.70%	56,201,093	1.65%
	<u>3,900,322,616</u>	<u>100.00%</u>	<u>3,417,664,252</u>	<u>100%</u>

Note: Others mainly include logistics companies, trading companies and third-party finance lease companies relating to the factoring business.

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7 Notes to the consolidated financial statements (Cont'd)

(10) Long-term receivables (Cont'd)

(b.3) For the year ended 31 December 2019, the Group wrote off factoring receivables of RMB 97,566,840 (2018: RMB 5,400,000). See specific write-off policy in Note 13 2(1)(ii).

(b.4) Provision for bad debts of factoring receivables is analysed below:

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Balance at the beginning of the year	323,911,566	201,633,296	129,207,877	92,115,835
Provision/(Decrease) in the current year	136,177,344	127,678,270	(50,365,111)	42,492,042
Write-off in the current year	(97,566,840)	(5,400,000)	(455,222)	(5,400,000)
Transfer due to disposal of subsidiaries	(8,988,305)	-	-	-
Balance at the end of the year	<u>353,533,765</u>	<u>323,911,566</u>	<u>78,387,544</u>	<u>129,207,877</u>
(c.1)				
	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Entrusted loans	12,479,333,163	10,944,119,475	8,785,647,981	9,232,286,840
Add: Interest receivable	100,167,225	84,204,540	93,931,780	161,849,576
Less: Provision for impairment loss	<u>(512,975,573)</u>	<u>(428,241,555)</u>	<u>(209,929,259)</u>	<u>(286,265,822)</u>
Entrusted loans - net	<u>12,066,524,815</u>	<u>10,600,082,460</u>	<u>8,669,650,502</u>	<u>9,107,870,594</u>

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7 Notes to the consolidated financial statements (Cont'd)

(10) Long-term receivables (Cont'd)

(c.2) The analysis of entrusted loans by industry is as follows:

	The Group			
	31 December 2019	%	31 December 2018	%
Finance leases	4,879,183,410	39.10%	-	-
Manufacturing and processing	1,691,354,865	13.55%	2,286,110,221	20.89%
Education, culture and tourism	1,442,552,748	11.56%	1,275,600,034	11.66%
Utilities	1,241,470,168	9.94%	2,163,423,854	19.77%
Energy and metallurgy	828,153,080	6.64%	1,127,272,616	10.30%
Health & hygiene	820,276,354	6.57%	1,632,330,023	14.92%
Infrastructure	747,417,242	5.99%	1,122,768,359	10.26%
Information electronics	162,008,083	1.30%	671,508,302	6.14%
Auto financing services	150,650,576	1.21%	63,654,074	0.58%
Food industry	145,063,366	1.16%	66,624,550	0.61%
Textile, print and packaging	13,199,980	0.11%	84,010,631	0.77%
Transportation	2,164,044	0.02%	6,341,827	0.06%
Others (Note)	355,839,247	2.85%	444,474,984	4.04%
	<u>12,479,333,163</u>	<u>100.00%</u>	<u>10,944,119,475</u>	<u>100.00%</u>

	The Company			
	31 December 2019	%	31 December 2018	%
Finance leases	4,879,183,410	55.54%	-	-
Education, culture and tourism	609,806,171	6.94%	749,806,666	8.12%
Health & hygiene	374,945,454	4.27%	1,014,807,155	10.99%
Manufacturing and processing	335,379,234	3.82%	660,659,098	7.16%
Utilities	332,211,846	3.78%	1,201,883,725	13.02%
Infrastructure	295,132,729	3.36%	794,096,627	8.60%
Information electronics	143,721,284	1.64%	583,982,063	6.33%
Energy and metallurgy	73,113,275	0.83%	331,758,410	3.59%
Auto financing services	30,051,344	0.34%	15,647,722	0.17%
Textile, print and packaging	13,199,980	0.15%	61,784,355	0.67%
Food industry	5,563,015	0.06%	5,655,833	0.06%
Others (Note)	1,693,340,239	19.27%	3,812,205,186	41.29%
	<u>8,785,647,981</u>	<u>100.00%</u>	<u>9,232,286,840</u>	<u>100.00%</u>

Note: Other industries include technology, farming, forestry, animal husbandry and fishery, etc.

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7 Notes to the consolidated financial statements (Cont'd)
(10) Long-term receivables (Cont'd)

(c.3) For the year ended 31 December 2019, the Group wrote off entrusted loans of RMB 146,660,896 (2018: RMB 0). See specific write-off policy in Note 13 2(1)(ii).

(c.4) Provision for bad debts of entrusted loans is analysed below:

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Balance at the beginning of the year	428,241,555	185,877,318	286,265,822	120,966,873
Provision in the current year	232,268,804	242,364,237	68,941,009	165,298,949
Write-off in the current year	(146,660,896)	-	(145,277,572)	-
Transfer due to disposal of subsidiaries	(873,890)	-	-	-
Balance at the end of the year	<u>512,975,573</u>	<u>428,241,555</u>	<u>209,929,259</u>	<u>286,265,822</u>

(d.1)

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Instalment sales receivables	11,530,831	52,759,067	-	-
Add: Accrued interest	7,546,638	7,446,112	-	-
Less: Unrealised financing income	(968,928)	(14,496,595)	-	-
Provision for impairment loss	<u>(2,383,527)</u>	<u>(26,659,725)</u>	<u>-</u>	<u>-</u>
Instalment sales receivable - net	<u>15,725,014</u>	<u>19,048,859</u>	<u>-</u>	<u>-</u>

(d.2) The analysis of instalment sales receivables by industry is as follows:

	The Group			
	31 December 2019	%	31 December 2018	%
Information electronics	<u>11,530,831</u>	<u>100%</u>	<u>52,759,067</u>	<u>100.00%</u>

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7 Notes to the consolidated financial statements (Cont'd)

(10) Long-term receivables (Cont'd)

(d.3) For the year ended 31 December 2019, the Group wrote off instalment sales receivables of RMB 28,348,222 (2018: RMB 234,636). See specific write-off policy in Note 13 2(1)(ii).

(d.4) Provision for bad debts of instalment sales receivables is analysed below:

	The Group	
	31 December 2019	31 December 2018
Balance at the beginning of the year	26,659,725	26,224,855
Provision in the current year	4,072,024	669,506
Write-off in the current year	(28,348,222)	(234,636)
Balance at the end of the year	<u>2,383,527</u>	<u>26,659,725</u>

(11) Long-term equity investments

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Associates (a)	1,802,105,206	980,283,083	1,802,105,206	980,283,083
Joint ventures (b)	62,954,313	-	-	-
Subsidiaries (Note 6)	-	-	10,015,449,420	9,765,449,420
	<u>1,865,059,519</u>	<u>980,283,083</u>	<u>11,817,554,626</u>	<u>10,745,732,503</u>

(a.1) Associates

		Investment cost	Movements for the current year					31 December 2019
			31 December 2018	Share of net profit/(loss) under equity method	Share of other comprehensive income	Capital surplus	Increase in investments	
Shenzhen Pingke Information Consulting Co., Ltd.	Unlisted company	800,000,000	980,283,083	467,306,400	(215,025)	244,302,679	110,428,069	1,802,105,206

(a.2) Basic information of associates:

	Major business location	Place of registration	Nature of business	Strategic or not for the Group's activities	Shareholding (%)	
					Direct	Indirect
Associates -						
Shenzhen Pingke Information Consulting Co., Ltd.	Shenzhen	Shenzhen	Enterprise management consulting and information consulting	Yes	25.6809%	-

Investments in associates are accounted for using the equity method.

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7 Notes to the consolidated financial statements (Cont'd)

(11) Long-term equity investments (Cont'd)

(a.3) Summarised financial information for associates:

	31 December 2019	31 December 2018
Current assets	1,209,415,762	1,136,559,523
Non-current assets	8,542,381,801	5,606,232,474
Total assets	9,751,797,563	6,742,791,997
Current liabilities	2,265,318,942	1,954,404,035
Non-current liabilities	469,187,416	971,226,098
Total liabilities	2,734,506,358	2,925,630,133
Net assets	7,017,291,205	3,817,161,864
Shares of net assets based on shareholding (i)	1,802,105,206	980,283,083
Carrying amount of investment in associates	1,802,105,206	980,283,083
Revenue (ii)	56,886,752	55,954,876
Investment income (ii)	1,964,332,037	792,277,191
Net profit	1,819,665,195	487,003,074
Other comprehensive income	(837,295)	(264,132)
Total comprehensive income	1,818,827,900	486,738,942

(i) Share of asset is calculated according to shareholding based on the amount attributable to the parent company in the consolidated financial statements of associates, which has taken into account the impact of both the fair value of the identifiable assets and liabilities of the associate upon the acquisition of investment and accounting policy unifying.

(ii) Investment income mainly comprised long-term equity investments accounted for using the equity method from Ping An Real Estate Co., Ltd. and Ping An Chuangke (Shenzhen) Investment Management Co., Ltd.

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7 Notes to the consolidated financial statements (Cont'd)
(11) Long-term equity investments (Cont'd)
(b.1) Joint ventures

		Investment cost	Movements for the current year		
			31 December 2018	Share of net profit/(loss) under equity method	31 December 2019
				Increase in investments	
Shenzhen Ping An Haoyi Medical Examination Laboratory	Unlisted company	120,000,000	-	(57,045,687)	62,954,313

(b.2) Basic information of joint ventures is as follows:

	Place of major business	Place of registration	Nature of business	Strategic or not for the Group's activities	Shareholding (%)	
					Direct	Indirect
Joint ventures - Shenzhen Ping An Haoyi Medical Examination Laboratory (i)	Shenzhen	Shenzhen	Medical examination	Yes	-	75%

Investments in associates are accounted for using the equity method.

(i) In accordance with the Articles of Association of joint ventures, the Board of Directors shall be the highest authority and make decisions on all significant issues. The Board of Directors consists of three directors with two appointed by the Group and one appointed by other parties. It adopts "one person one vote" policy, and significant operating matters of joint ventures shall be unanimously approved by all directors to form relevant resolutions. The Group jointly controls the joint venture with other parties, and all parties have no separate control over the joint venture.

(b.3) Summarised financial information of joint ventures:

	31 December 2019
Current assets	126,979,392
Non-current assets	222,791,174
Current liabilities	194,316,769
Non-current liabilities	90,529,942
Net assets	64,923,855
Shares of net assets based on shareholding (Note)	62,954,313
Carrying amount of investment in joint ventures	62,954,313
Revenue	13,815,760
Net loss	(95,076,144)

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7 Notes to the consolidated financial statements (Cont'd)

(11) Long-term equity investments (Cont'd)

(b.3) Summarised financial information of joint ventures (Cont'd)

Note: All parties agreed to invest RMB 200 million in the joint venture by 31 December 2019, among which the Group subscribed for 60% equity at RMB 120 million and other parties subscribed 40% equity at RMB 80 million. As at 31 December 2019, the Group paid investment of RMB 120 million for 75% shareholding of the joint venture, and other parties paid investment of RMB 60 million for 25% shareholding of the joint venture. In January 2020, other party additionally paid the remaining investment of RMB 20 million. All parties completed investments in the joint venture based on pre-agreed proportion. In 2019, the Group calculated share of net profit or loss under equity method by 60% proportion.

(12) Other non-current financial assets

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Asset-backed special plan (Note 1)	-	4,150,934,650	-	4,117,934,650
Wealth management products	-	2,011,674,170	-	2,011,674,170
Unlisted equity investment (Note 2)	731,878,018	18,209,062	30,769,918	18,209,062
Trust investments (Note 9(1)(b))	1,413,073,592	1,726,927,149	1,339,615,356	1,654,856,900
	<u>2,144,951,610</u>	<u>7,907,745,031</u>	<u>1,370,385,274</u>	<u>7,802,674,782</u>

Note 1: These amounts represented asset-backed special plans invested by the Group (See Note 9).

Note 2: These amounts were equity investments in Clover Aviation Capital Company Limited, Changzhou Pingsheng Equity Investment Fund LLP and Dongbei Special Steel Group Dalian Precise Alloy Bar and Rods Co., Ltd. by the Group. Aforementioned equity investments were held for trading instead of held on long-term basis. The Group did not participate in the ordinary course of the investees' activities, had no direct impacts on their operating decisions or exerted significant influence on the investees.

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7 Notes to the consolidated financial statements (Cont'd)

(13) Fixed assets

The Group

	Office equipment	Computers and electronic equipment	Motor vehicles	Aircraft	Buildings	Total
Cost						
1 January 2019	493,052	246,083,415	64,836,214	6,159,510,085	335,888,925	6,806,811,691
Increase in the current year	3,431,053	165,201,716	911,551,443	369,738,600	57,863,752	1,507,786,564
Decrease in the current year	(295,744)	(24,362,117)	(788,542,343)	(6,396,959,996)	-	(7,210,160,200)
Exchange differences	3,229	-	-	101,414,012	-	101,417,241
31 December 2019	<u>3,631,590</u>	<u>386,923,014</u>	<u>187,845,314</u>	<u>233,702,701</u>	<u>393,752,677</u>	<u>1,205,855,296</u>
Accumulated depreciation						
1 January 2019	(115,672)	(38,986,602)	(13,041,743)	(379,200,963)	(11,285,340)	(442,630,320)
Increase in the current year	(641,716)	(47,264,783)	(18,205,287)	(151,298,284)	(10,150,292)	(227,560,362)
Decrease in the current year	102,976	2,686,556	7,374,973	454,145,515	-	464,310,020
Exchange differences	(902)	-	-	(6,318,832)	-	(6,319,734)
31 December 2019	<u>(655,314)</u>	<u>(83,564,829)</u>	<u>(23,872,057)</u>	<u>(82,672,564)</u>	<u>(21,435,632)</u>	<u>(212,200,396)</u>
Provision for impairment loss						
1 January 2019	-	-	(2,301,404)	(19,163,062)	-	(21,464,466)
Increase in the current year	-	-	(3,736,865)	(4,111,502)	-	(7,848,367)
Write-off in the current year	-	-	784,323	-	-	784,323
Exchange differences	-	-	-	(315,513)	-	(315,513)
31 December 2019	<u>-</u>	<u>-</u>	<u>(5,253,946)</u>	<u>(23,590,077)</u>	<u>-</u>	<u>(28,844,023)</u>
Carrying amount						
31 December 2019	<u>2,976,276</u>	<u>303,358,185</u>	<u>158,719,311</u>	<u>127,440,060</u>	<u>372,317,045</u>	<u>964,810,877</u>
31 December 2018	<u>377,380</u>	<u>207,096,813</u>	<u>49,493,067</u>	<u>5,761,146,060</u>	<u>324,603,585</u>	<u>6,342,716,905</u>

For the year ended 31 December 2019, the amounts of depreciation expenses charged to cost of sales and operational and administrative expenses were RMB 200,820,906 and RMB 26,739,456 (2018: RMB 307,709,125 and RMB 19,486,541) respectively.

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7 Notes to the consolidated financial statements (Cont'd)

(13) Fixed assets (Cont'd)

The Company

	Office equipment	Computers and electronic equipment	Motor vehicles	Total
Cost				
1 January 2019	141,862	58,613,985	10,237,356	68,993,203
Increase in the current year	306,517	28,992,348	-	29,298,865
Decrease in the current year	(96,547)	(19,938,795)	-	(20,035,342)
31 December 2019	<u>351,832</u>	<u>67,667,538</u>	<u>10,237,356</u>	<u>78,256,726</u>
Accumulated depreciation				
1 January 2019	(44,320)	(24,026,129)	(6,483,659)	(30,554,108)
Increase in the current year	(45,491)	(12,141,657)	(1,215,686)	(13,402,834)
Decrease in the current year	11,119	5,237,650	-	5,248,769
31 December 2019	<u>(78,692)</u>	<u>(30,930,136)</u>	<u>(7,699,345)</u>	<u>(38,708,173)</u>
Carrying amount				
31 December 2019	<u>273,140</u>	<u>36,737,402</u>	<u>2,538,011</u>	<u>39,548,553</u>
31 December 2018	<u>97,542</u>	<u>34,587,856</u>	<u>3,753,697</u>	<u>38,439,095</u>

For the year ended 31 December 2019, the amount of depreciation expenses charged to operational and administrative expenses was RMB 13,402,834 (2018: RMB 10,184,405).

(14) Intangible assets

	Cost	31 December 2018	Increase in the current year	Amortisation charged in the current year	Decrease on disposals in the current year	31 December 2019	Accumulated amortisation
The Group							
Software system	<u>54,108,496</u>	<u>61,185,724</u>	<u>56,332,568</u>	<u>(24,944,259)</u>	<u>(4,047,397)</u>	<u>88,526,636</u>	<u>(48,079,474)</u>
The Company							
Software system	<u>52,277,565</u>	<u>51,690,398</u>	<u>43,799,927</u>	<u>(21,736,201)</u>	<u>-</u>	<u>73,754,124</u>	<u>(42,607,710)</u>

Expenditures on research and development of the Group incurred in 2019 amounted to RMB 31,484,973 (2018: RMB 37,007,321) and RMB 23,257,208 (2018: RMB 29,432,246), respectively, which were all included in the ending balance of development costs, without being carried forward to intangible assets or recorded in profit or loss.

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7 Notes to the consolidated financial statements (Cont'd)
(15) Deferred tax assets and deferred tax liabilities

- (a.1) The Group's deferred tax assets before offsetting of certain debit and credit balances are set out as follows:

	31 December 2019		31 December 2018	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Contract liabilities	697,270,187	2,789,080,748	888,545,256	3,554,181,023
Provision for impairment loss	1,221,730,787	4,886,923,148	870,274,579	3,481,098,315
Employee benefits payable	268,841,952	1,075,367,808	244,204,754	976,819,018
Gains/(Losses) on changes in fair value	146,940,235	604,192,532	20,084,446	80,337,785
Deductible losses	10,987,071	43,948,284	4,321,251	17,285,016
Employee education funds	1,845,904	7,383,616	1,538,823	6,155,289
Amortisation of intangible assets	3,797,848	15,191,392	2,544,138	10,176,552
Accrued expenses	1,354,917	5,419,668	-	-
Deferred tax assets before offsetting	<u>2,352,768,901</u>	<u>9,427,507,196</u>	<u>2,031,513,247</u>	<u>8,126,052,998</u>
Including:				
Expected to be recovered within 1 year (inclusive)	867,931,571		494,630,036	
Expected to be recovered after 1 year	<u>1,484,837,330</u>		<u>1,536,883,211</u>	
	<u>2,352,768,901</u>		<u>2,031,513,247</u>	

- (a.2) The Group's deferred tax liabilities before offsetting of certain debit and credit balances are set out as follows:

	31 December 2019		31 December 2018	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
Deferred income	(201,080,814)	(804,323,256)		
Depreciation of fixed assets	(23,765,202)	(95,060,808)	(94,921,282)	(379,685,128)
Gains/(Losses) on changes in fair value	(95,259,566)	(381,038,264)	(68,476,207)	(273,904,828)
Deferred tax liabilities before offsetting	<u>(320,105,582)</u>	<u>(1,280,422,328)</u>	<u>(163,397,489)</u>	<u>(653,589,956)</u>
Including:				
Expected to be recovered within 1 year (inclusive)	(81,581,213)		(33,874,266)	
Expected to be recovered after 1 year	<u>(238,524,369)</u>		<u>(129,523,223)</u>	
	<u>(320,105,582)</u>		<u>(163,397,489)</u>	

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7 Notes to the consolidated financial statements (Cont'd)

(15) Deferred tax assets and deferred tax liabilities (Cont'd)

(a.3) The net balances of the Group's deferred tax assets and liabilities after offsetting are as follows:

	31 December 2019	31 December 2018
Deferred tax assets - net	2,035,885,332	1,933,097,450
Deferred tax liabilities - net	(3,222,013)	(64,981,692)

(a.4) The Company's deferred tax assets before offsetting of certain debit and credit balances are set out as follows:

	31 December 2019		31 December 2018	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Provision for impairment loss	805,066,648	3,220,266,592	552,072,748	2,208,290,992
Contract liabilities	191,242,197	764,968,788	278,949,109	1,115,796,436
Employee benefits payable	257,452,691	1,029,810,764	233,203,439	932,813,756
Gains/(Losses) on changes in fair value	136,410,715	545,642,860	11,025,403	44,101,613
Employee education funds	492,116	1,968,464	433,584	1,734,333
Amortisation of intangible assets	3,797,848	15,191,392	2,544,138	10,176,552
Accrued expenses	1,354,917	5,419,668	-	-
Deferred tax assets before offsetting	<u>1,395,817,132</u>	<u>5,583,268,528</u>	<u>1,078,228,421</u>	<u>4,312,913,682</u>
Including:				
Expected to be recovered within 1 year (inclusive)	508,114,293		277,750,323	
Expected to be recovered after 1 year	<u>887,702,839</u>		<u>800,478,098</u>	
	<u>1,395,817,132</u>		<u>1,078,228,421</u>	

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7 Notes to the consolidated financial statements (Cont'd)
(15) Deferred tax assets and deferred tax liabilities (Cont'd)

- (a.5) The Company's deferred tax liabilities before offsetting of certain debit and credit balances are set out as follows:

	31 December 2019		31 December 2018	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
Deferred income Gains/(Losses) on changes in fair value	(194,684,565)	(778,738,260)	-	-
Depreciation of fixed assets	(94,921,282)	(379,685,128)	(94,921,282)	(379,685,120)
Deferred tax liabilities before offsetting	<u>(6,019,531)</u>	<u>(24,078,124)</u>	<u>(3,494,515)</u>	<u>(13,978,060)</u>
	<u>(295,625,378)</u>	<u>(1,182,501,512)</u>	<u>(98,415,797)</u>	<u>(393,663,180)</u>
Including:				
Expected to be recovered within 1 year (inclusive)	(81,242,929)		(10,456,333)	
Expected to be recovered after 1 year	<u>(214,382,449)</u>		<u>(87,959,464)</u>	
	<u>(295,625,378)</u>		<u>(98,415,797)</u>	

- (a.6) The net balances of the Company's deferred tax assets and liabilities after offsetting are as follows:

	31 December 2019	31 December 2018
Deferred tax assets - net	<u>1,100,191,754</u>	<u>979,812,624</u>

- (b) Deductible losses that are not recognised as deferred tax assets by the Group are analysed as follows:

	31 December 2019	31 December 2018
Deductible losses	<u>971,867,623</u>	<u>527,245,008</u>

- (c) Deductible losses that are not recognised as deferred tax assets by the Group will be expired as follows:

	31 December 2019	31 December 2018
2021	23,171,242	23,171,242
2022	92,788,797	122,246,557
2023	381,522,380	381,827,209
2024	<u>474,385,204</u>	<u>-</u>

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7 Notes to the consolidated financial statements (Cont'd)

(16) Other non-current assets

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Continuously involved assets (Note)	3,998,831,961	2,853,417,052	3,831,071,961	2,853,417,052
Others	3,054,879	5,033,557	1,688,775	3,305,976
	<u>4,001,886,840</u>	<u>2,858,450,609</u>	<u>3,832,760,736</u>	<u>2,856,723,028</u>

Note: This refers to the amount of continuously involved assets recognised by the Group based on the degree of transfer of financial assets. (See Note 9(2)).

(17) Borrowings

Short-term borrowings:

	The Group	
	31 December 2019	31 December 2018
Unsecured borrowings	23,344,567,637	30,255,704,372
Pledged borrowings	5,285,000,000	9,877,915,366
Add: Interest payable	107,378,356	210,240,163
	<u>28,736,945,993</u>	<u>40,343,859,901</u>

	The Company	
	31 December 2019	31 December 2018
Unsecured borrowings	13,734,597,637	14,149,452,124
Pledged borrowings	5,020,000,000	8,397,915,366
Add: Interest payable	85,971,136	103,509,326
	<u>18,840,568,773</u>	<u>22,650,876,816</u>

As at 31 December 2019, the pledged borrowings of RMB 5,285,000,000 (31 December 2018: RMB 9,877,915,366) were secured by rentals receivable from finance lease program of RMB 6,077,895,565 (2018: RMB 10,513,672,269).

As at 31 December 2019, the contractual annual interest rate of short-term borrowings ranged from 3.70% to 6.68% (31 December 2018: 4.35% to 7.36%).

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7 Notes to the consolidated financial statements (Cont'd)

(17) Borrowings (Cont'd)

Long-term borrowings:

	The Group	
	31 December 2019	31 December 2018
Unsecured borrowings	29,589,531,933	22,086,129,239
Pledged borrowings	37,789,234,431	32,534,564,223
Secured borrowings	6,024,618,060	7,504,000,000
Add: Interest payable	309,516,640	267,491,107
	<u>73,712,901,064</u>	<u>62,392,184,569</u>
Less: Current portion of long-term borrowings	<u>(29,267,306,758)</u>	<u>(24,527,349,671)</u>
	<u>44,445,594,306</u>	<u>37,864,834,898</u>

	The Company	
	31 December 2019	31 December 2018
Unsecured borrowings	13,980,995,833	8,558,633,638
Pledged borrowings	27,245,010,427	23,833,963,500
Secured borrowings	5,511,867,360	7,504,000,000
Add: Interest payable	144,239,863	152,482,982
	<u>46,882,113,483</u>	<u>40,049,080,120</u>
Less: Current portion of long-term borrowings	<u>(21,522,665,679)</u>	<u>(18,001,417,063)</u>
	<u>25,359,447,804</u>	<u>22,047,663,057</u>

As at 31 December 2019, the pledged borrowings of RMB 37,789,234,431 (31 December 2018: RMB 32,534,564,223) were secured by rentals receivable from finance lease program of RMB 55,394,064,941 (2018: RMB 50,228,414,173).

As at 31 December 2019, the secured borrowings of RMB 5,004,000,000 (31 December 2018: RMB 7,504,000,000) were guaranteed by the Group (see Note 12(3)(k)), others were letters of guarantee.

As at 31 December 2019, the contractual annual interest rate of long-term borrowings ranged from 2.10% to 7.13% (31 December 2018: 3.80% to 7.30%).

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7 Notes to the consolidated financial statements (Cont'd)

(18) Notes payable

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Bank acceptance notes	3,802,420,287	5,008,572,123	2,409,133,147	2,817,671,299
Trade acceptance notes	-	7,602,000	-	7,602,000
	<u>3,802,420,287</u>	<u>5,016,174,123</u>	<u>2,409,133,147</u>	<u>2,825,273,299</u>

(19) Accounts payable

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Payables for purchased and leased equipment	445,189,288	402,938,348	412,014,544	127,595,683
Payables for medical business	12,530,270	-	-	-
Payables for factoring project	5,436,885	5,528,085	4,300,000	4,359,520
Others	4,784,100	2,472,225	4,784,100	-
	<u>467,940,543</u>	<u>410,938,658</u>	<u>421,098,644</u>	<u>131,955,203</u>

(20) Contract liabilities

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Advances from customers	69,578,213	107,132,350	33,874,782	21,652,174
Deferred commission	256,798,145	533,818,899	91,170,845	186,555,107
	<u>326,376,358</u>	<u>640,951,249</u>	<u>125,045,627</u>	<u>208,207,281</u>

(21) Employee benefits payable

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Short-term employee benefits (a)	775,015,128	666,866,010	606,025,612	467,530,185
Defined contribution plans (b)	27,182,728	5,167,568	41,081,376	4,374,594
	<u>802,197,856</u>	<u>672,033,578</u>	<u>647,106,988</u>	<u>471,904,779</u>

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7 Notes to the consolidated financial statements (Cont'd)

(21) Employee benefits payable (Cont'd)

(a) Short-term employee benefits

The Group

	31 December 2018	Increase in the current year	Decrease in the current year	31 December 2019
Wages and salaries, bonus, allowances and subsidies	601,570,544	1,397,790,080	(1,312,506,313)	686,854,311
Staff welfare	1,003,584	11,313,097	(11,266,676)	1,050,005
Social security contributions	2,399,426	53,684,517	(42,738,031)	13,345,912
Including: Medical insurance	2,102,287	47,659,141	(38,068,247)	11,693,181
Work injury insurance	106,185	1,406,798	(922,367)	590,616
Maternity insurance	190,954	4,618,578	(3,747,417)	1,062,115
Housing funds	1,755,020	49,456,568	(41,539,573)	9,672,015
Labour union funds	30,011,568	19,095,457	(20,667,355)	28,439,670
Employee education funds	30,125,868	23,106,352	(17,579,005)	35,653,215
	<u>666,866,010</u>	<u>1,554,446,071</u>	<u>(1,446,296,953)</u>	<u>775,015,128</u>

The Company

	31 December 2018	Increase in the current year	Decrease in the current year	31 December 2019
Wages and salaries, bonus, allowances and subsidies	415,689,203	933,085,770	(824,244,973)	524,530,000
Staff welfare	1,003,584	8,691,652	(8,691,652)	1,003,584
Social security contributions	2,014,393	40,897,932	(22,508,939)	20,403,386
Including: Medical insurance	1,764,935	36,202,078	(20,090,339)	17,876,674
Work injury insurance	89,146	1,054,352	(240,559)	902,939
Maternity insurance	160,312	3,641,502	(2,178,041)	1,623,773
Housing funds	1,476,522	34,407,901	(20,929,022)	14,955,401
Labour union funds	24,624,176	12,120,000	(16,073,000)	20,671,176
Employee education funds	22,722,307	16,538,422	(14,798,664)	24,462,065
	<u>467,530,185</u>	<u>1,045,741,677</u>	<u>(907,246,250)</u>	<u>606,025,612</u>

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7 Notes to the consolidated financial statements (Cont'd)
(21) Employee benefits payable (Cont'd)
(b) Defined contribution plans
The Group

	2019		2018	
	Amount payable	Ending balance	Amount payable	Ending balance
Basic pensions	101,953,642	24,820,711	73,864,126	4,462,451
Unemployment insurance	5,520,359	1,682,507	2,006,063	302,494
Enterprise annuity	2,358,008	679,510	2,735,995	402,623
	<u>109,832,009</u>	<u>27,182,728</u>	<u>78,606,184</u>	<u>5,167,568</u>

The Company

	2019		2018	
	Amount payable	Ending balance	Amount payable	Ending balance
Basic pensions	77,473,022	37,946,200	63,680,129	3,746,367
Unemployment insurance	4,727,560	2,572,238	1,724,128	253,953
Enterprise annuity	1,569,142	562,938	2,471,948	374,274
	<u>83,769,724</u>	<u>41,081,376</u>	<u>67,876,205</u>	<u>4,374,594</u>

(22) Taxes payable

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Enterprise income tax payable	826,214,304	1,102,154,942	178,128,774	118,733,353
VAT payable	135,639,195	100,641,977	-	5,829,035
City maintenance and construction tax and surcharges payable	13,247,058	12,211,017	1,079,940	2,187,570
Stamp tax payable	5,612,529	3,655,777	4,477,251	2,567,709
Individual income tax payable	6,517,170	3,342,385	1,743,893	103,937
Real estate tax payable	79,513	1,233,573	79,513	459,279
Others	48,405	977,583	1,052	4,745
	<u>987,358,174</u>	<u>1,224,217,254</u>	<u>185,510,423</u>	<u>129,885,628</u>

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7 Notes to the consolidated financial statements (Cont'd)

(23) Other payables

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Amounts to be transferred (Note)	11,081,868,420	6,158,977,649	7,266,162,598	2,600,201,462
Accrued expenses	59,923,687	65,562,264	39,719,929	53,543,250
Service fee	40,790,319	-	16,037,358	-
Expenses paid by related parties on behalf of the Company/Group	56,673,781	11,486,410	94,422,496	38,736,805
Overpaid factoring amounts to be returned	17,112,910	23,272,362	-	-
Service fee payable to related parties	-	18,298,793	24,959,516	20,659,464
Borrowings payable to related parties	-	686,320,000	-	-
Factoring amounts to be placed	-	120,000,000	-	-
Current accounts payable to related parties	-	-	-	1,581,290,186
Interest payable on short-term borrowings	-	13,064,629	-	-
Others	64,858,205	61,200,911	12,041,560	34,084,184
	<u>11,321,227,322</u>	<u>7,158,183,018</u>	<u>7,453,343,457</u>	<u>4,328,515,351</u>

Note: This refers to the amount of financing received by the Group in the asset-backed securitisation transaction and the amount of rental received from the lessee by the Group as an asset service institution but not yet transferred to investors.

(24) Current portion of non-current liabilities

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Current portion of long-term borrowings (Note 7(17))	29,267,306,758	24,527,349,671	21,522,665,679	18,001,417,063
Current portion of deposits (Note 7(26))	5,355,099,337	3,871,035,329	3,623,802,350	2,921,022,292
Current portion of deferred commission	214,920,374	-	51,255,294	-
	<u>34,837,326,469</u>	<u>28,398,385,000</u>	<u>25,197,723,323</u>	<u>20,922,439,355</u>

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7 Notes to the consolidated financial statements (Cont'd)

(25) Bonds payable

(a) Bonds classified as current liabilities

Issuer	Category	Type of guarantee	Term	Right of redemption	Par value (RMB Yuan)	Year of issuance	Type of interest rate	Coupon rate (per annum)	31 December 2019	31 December 2018
The Company	Private placement debentures	Nil	5 years	End of the third interest bearing year	2,000,000,000	2017	Fixed	5.30%	2,000,000,000	2,000,000,000
The Company	Private placement debentures	Nil	5 years	End of the third interest bearing year	1,800,000,000	2017	Fixed	5.56%	1,800,000,000	1,800,000,000
The Company	Private placement debentures	Nil	5 years	End of the third interest bearing year	1,200,000,000	2017	Fixed	5.45%	1,200,000,000	1,200,000,000
The Company	Medium-term notes	Nil	Indefinite	End of the third interest bearing year	2,100,000,000	2017	Fixed	5.50%	2,100,000,000	2,100,000,000
The Company	Non-public targeted debt financing instruments	Nil	3 years	Nil	1,200,000,000	2017	Fixed	5.40%	1,200,000,000	1,200,000,000
The Company	Non-public targeted debt financing instruments	Nil	3 years	Nil	2,000,000,000	2017	Fixed	5.90%	2,000,000,000	2,000,000,000
The Company	Non-public targeted debt financing instruments	Nil	3 years	Nil	1,800,000,000	2017	Fixed	6.10%	1,800,000,000	1,800,000,000
The Company	Non-public targeted debt financing instruments	Nil	2 years	Nil	1,000,000,000	2018	Fixed	5.73%	1,000,000,000	1,000,000,000
The Company	Non-public targeted debt financing instruments	Nil	2 years	Nil	300,000,000	2018	Fixed	5.20%	300,000,000	300,000,000
The Company	Private placement debentures	Nil	2 years	Nil	590,000,000	2018	Fixed	5.00%	590,000,000	590,000,000
The Company	Commercial paper	Nil	1 year	Nil	1,800,000,000	2019	Fixed	3.55%	1,800,000,000	-
The Company	Commercial paper	Nil	1 year	Nil	1,500,000,000	2019	Fixed	3.30%	1,500,000,000	-
The Company	Super commercial paper	Nil	151 days	Nil	1,500,000,000	2019	Fixed	2.40%	1,500,000,000	-
The Company	Super commercial paper	Nil	131 days	Nil	1,000,000,000	2019	Fixed	2.35%	1,000,000,000	-
The Company	Super commercial paper	Nil	164 days	Nil	500,000,000	2019	Fixed	2.30%	500,000,000	-
The Company	Commercial paper	Nil	1 year	Nil	1,500,000,000	2019	Fixed	3.47%	1,500,000,000	-
The Company	Super commercial paper	Nil	161 days	Nil	500,000,000	2019	Fixed	2.65%	500,000,000	-
The Company	Super commercial paper	Nil	166 days	Nil	600,000,000	2019	Fixed	2.83%	600,000,000	-
The Company	Super commercial paper	Nil	175 days	Nil	1,000,000,000	2019	Fixed	3.09%	1,000,000,000	-
The Company	Super commercial paper	Nil	181 days	Nil	1,500,000,000	2019	Fixed	3.00%	1,500,000,000	-

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7 Notes to the consolidated financial statements (Cont'd)

(25) Bonds payable (Cont'd)

(a) Bonds classified as current liabilities (Cont'd)

Issuer	Category	Type of guarantee	Term	Right of redemption	Par value (RMB Yuan)	Year of issuance	Type of interest rate	Coupon rate (per annum)	31 December 2019	31 December 2018
The Company	Super commercial paper	Nil	184 days	Nil	1,000,000,000	2019	Fixed	2.65%	1,000,000,000	-
The Company	Medium-term notes	Nil	3 years	Nil	500,000,000	2016	Fixed	3.45%	-	500,000,000
The Company	Medium-term notes	Nil	3 years	Nil	1,000,000,000	2016	Fixed	3.34%	-	1,000,000,000
The Company	PPN	Nil	3 years	Nil	1,500,000,000	2016	Fixed	3.45%	-	1,500,000,000
The Company	PPN	Nil	3 years	Nil	1,000,000,000	2016	Fixed	3.35%	-	1,000,000,000
The Company	PPN	Nil	3 years	Nil	1,000,000,000	2016	Fixed	3.50%	-	1,000,000,000
The Company	Medium-term notes	Nil	3 years	Nil	1,000,000,000	2016	Fixed	3.58%	-	1,000,000,000
The Company	PPN	Nil	3 years	Nil	1,500,000,000	2016	Fixed	4.55%	-	1,500,000,000
The Company	Commercial paper	Nil	1 year	Nil	1,500,000,000	2018	Fixed	4.49%	-	1,500,000,000
The Company	Commercial paper	Nil	1 year	Nil	1,500,000,000	2018	Fixed	4.82%	-	1,500,000,000
The Company	Super commercial paper	Nil	270 days	Nil	1,000,000,000	2018	Fixed	4.49%	-	1,000,000,000
The Company	PPN	Nil	1 year	Nil	1,500,000,000	2018	Fixed	5.30%	-	1,500,000,000
The Company	Super commercial paper	Nil	6 months	Nil	500,000,000	2018	Fixed	3.90%	-	500,000,000
The Company	Super commercial paper	Nil	190 days	Nil	500,000,000	2018	Fixed	3.70%	-	500,000,000
The Company	Super commercial paper	Nil	270 days	Nil	1,000,000,000	2018	Fixed	3.90%	-	1,000,000,000
The Company	Super commercial paper	Nil	210 days	Nil	500,000,000	2018	Fixed	3.82%	-	500,000,000
The Company	Super commercial paper	Nil	240 days	Nil	1,000,000,000	2018	Fixed	3.92%	-	1,000,000,000
The Company	Super commercial paper	Nil	270 days	Nil	900,000,000	2018	Fixed	3.92%	-	900,000,000
The Company	Super commercial paper	Nil	250 days	Nil	600,000,000	2018	Fixed	3.79%	-	600,000,000
The Company	Super commercial paper	Nil	270 days	Nil	1,000,000,000	2018	Fixed	3.79%	-	1,000,000,000
The Company	Commercial paper	Nil	1 year	Nil	1,600,000,000	2018	Fixed	3.80%	-	1,600,000,000
The Company	Super commercial paper	Nil	250 days	Nil	1,000,000,000	2018	Fixed	3.80%	-	1,000,000,000
Sub-total									26,390,000,000	35,590,000,000
Less: Unamortised issuance cost									(38,550,896)	(50,611,337)
Add: Interest payable									1,191,166,171	1,046,610,018
Book balance of bonds issued									27,542,615,275	36,585,998,681

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7 Notes to the consolidated financial statements (Cont'd)

(25) Bonds payable (Cont'd)

(b) Bonds classified as non-current liabilities

Issuer	Category	Type of guarantee	Term	Right of redemption	Par value (RMB Yuan)	Year of issuance	Type of interest rate	Coupon rate (per annum)	31 December 2019	31 December 2018
The Company	Medium-term notes	Nil	5 years	Nil	1,500,000,000	2016	Floating	4.30%	1,250,000,000	1,500,000,000
The Company	Debentures	Nil	5 years	Nil	1,600,000,000	2017	Floating	4.70%	1,600,000,000	1,600,000,000
The Company	Debentures	Nil	5 years	Nil	2,200,000,000	2017	Fixed	4.89%	2,200,000,000	2,200,000,000
The Company	Debentures	Nil	5 years	Nil	600,000,000	2017	Fixed	4.89%	600,000,000	600,000,000
The Company	Non-public targeted debt financing instruments	Nil	3 years	Nil	1,000,000,000	2018	Fixed	6.00%	1,000,000,000	1,000,000,000
The Company	Non-public targeted debt financing instruments	Nil	3 years	Nil	1,500,000,000	2018	Fixed	6.25%	1,500,000,000	1,500,000,000
The Company	Non-public targeted debt financing instruments	Nil	3 years	Nil	1,000,000,000	2018	Fixed	6.40%	1,000,000,000	1,000,000,000
The Company	Non-public targeted debt financing instruments	Nil	3 years	Nil	1,200,000,000	2018	Fixed	5.88%	1,200,000,000	1,200,000,000
The Company	Private placement debentures	Nil	3 years	Nil	2,260,000,000	2018	Fixed	6.29%	2,260,000,000	2,260,000,000
The Company	Private placement debentures	Nil	5 years	Nil	1,710,000,000	2018	Fixed	6.00%	1,710,000,000	1,710,000,000
The Company	Private placement debentures	Nil	5 years	Nil	1,000,000,000	2018	Fixed	6.20%	1,000,000,000	1,000,000,000
The Company	Private placement debentures	Nil	3 years	Nil	960,000,000	2018	Fixed	5.99%	960,000,000	960,000,000
The Company	Private placement debentures	Nil	3 years	Nil	508,000,000	2018	Fixed	6.08%	508,000,000	508,000,000
The Company	Private placement debentures	Nil	3 years	Nil	1,740,000,000	2018	Fixed	6.08%	1,740,000,000	1,740,000,000
The Company	Private placement debentures	Nil	3 years	Nil	1,740,000,000	2018	Fixed	5.95%	1,740,000,000	1,740,000,000
The Company	Medium-term notes	Nil	3 years	Nil	2,400,000,000	2018	Fixed	4.48%	2,400,000,000	2,400,000,000
The Company	Private placement debentures	Nil	5 years	Nil	500,000,000	2019	Fixed	5.00%	500,000,000	-
The Company	Private placement debentures	Nil	5 years	Nil	2,000,000,000	2019	Fixed	4.98%	2,000,000,000	-

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7 Notes to the consolidated financial statements (Cont'd)

(25) Bonds payable (Cont'd)

(b) Bonds classified as non-current liabilities (Cont'd)

Issuer	Category	Type of guarantee	Term	Right of redemption	Par value (RMB Yuan)	Year of issuance	Type of interest rate	Coupon rate (per annum)	31 December 2019	31 December 2018
The Company	Private placement debentures	Nil	3 years	Nil	600,000,000	2019	Fixed	4.60%	600,000,000	-
The Company	Private placement debentures	Nil	4 years	Nil	500,000,000	2019	Fixed	4.75%	500,000,000	-
The Company	Public placement debentures	Nil	5 years	Nil	1,200,000,000	2019	Fixed	4.30%	1,200,000,000	-
The Company	Public placement debentures	Nil	5 years	Nil	800,000,000	2019	Fixed	4.03%	800,000,000	-
	Non-public targeted debt financing instruments									
The Company	Private placement debentures	Nil	3 years	Nil	1,500,000,000	2019	Fixed	4.49%	1,500,000,000	-
The Company	Private placement debentures	Nil	4 years	Nil	800,000,000	2019	Fixed	4.53%	800,000,000	-
The Company	Private placement debentures	Nil	4 years	Nil	1,400,000,000	2019	Fixed	4.60%	1,400,000,000	-
The Company	Public placement debentures	Nil	5 years	Nil	1,600,000,000	2019	Floating	3.84%	1,600,000,000	-
The Company	Private placement debentures	Nil	3 years	Nil	2,000,000,000	2019	Fixed	4.80%	2,000,000,000	-
The Company	Private placement debentures	Nil	3 years	Nil	2,000,000,000	2019	Fixed	4.70%	2,000,000,000	-
The Company	Medium-term notes	Nil	3 years	Nil	1,600,000,000	2019	Fixed	4.10%	1,600,000,000	-
Sub-total									39,168,000,000	22,918,000,000
Less: Unamortised issuance cost									(57,217,183)	(32,590,914)
Add: Interest payable									-	-
Book balance of bonds issued									39,110,782,817	22,885,409,086

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7 Notes to the consolidated financial statements (Cont'd)

(26) Long-term payables

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Deposits	24,279,042,203	23,499,794,528	13,653,954,731	13,910,232,930
Loan costs	91,617,583	15,539,272	13,026,163	13,113,684
Borrowings from related parties	-	-	65,474,754	64,789,349
Less: Current portion of deposits	(5,355,099,337)	(3,871,035,329)	(3,623,802,350)	(2,921,022,292)
	<u>19,015,560,449</u>	<u>19,644,298,471</u>	<u>10,108,653,298</u>	<u>11,067,113,671</u>

(27) Other non-current liabilities

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Continuously involved liabilities (Note)	3,998,831,961	2,853,417,052	3,831,071,961	2,853,417,052
Long-term employee benefits payable	965,972,367	849,443,719	932,798,688	813,919,917
	<u>4,964,804,328</u>	<u>3,702,860,771</u>	<u>4,763,870,649</u>	<u>3,667,336,969</u>

Note: This refers to the amount of continuously involved liabilities recognised by the Group based on the degree of transfer of financial assets (see Note 9(2)).

(28) Paid-in capital

	31 December 2019	
	Original currency	In RMB
Ping An Group	RMB 9,650,421,797	9,650,421,797
Ping An Overseas Holdings	RMB 3,780,638,646 HKD 154,229,592	3,984,388,646
		<u>13,634,810,443</u>
	31 December 2018	
	Original currency	In RMB
Ping An Group	RMB 8,995,113,801	8,995,113,801
Ping An Overseas Holdings	RMB 3,052,836,608 HKD 154,229,592	3,256,586,609
		<u>12,251,700,410</u>

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7 Notes to the consolidated financial statements (Cont'd)
(29) Other equity instruments

	The Group and the Company	
	31 December 2019	31 December 2018
Perpetual bonds	11,474,424,122	9,036,387,714

The equity instrument is issued for the purpose of general enterprise financing and has no fixed due date. During the first period and on each interest rate reset date thereafter, the Group will be entitled to redeem the equity instrument at par value plus interest payable (including all deferred interest and its yield).

The coupon rate of the equity instrument for the first period is the initial benchmark interest rate plus the initial interest-rate spread, and the coupon rate for subsequent periods will be reset to the current benchmark interest rate plus initial interest-rate spread and 300 basis points. At each interest payment date, the Group can at its own discretion choose to defer interest payment under the circumstances that no mandatory interest payment events such as dividend distribution and capital reduction occurred. The issuer shall not conduct such actions as dividend distribution and capital reduction before paying off all deferred interest and its yield.

(30) Capital surplus

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Capital premium	1,665,154,783	1,048,264,816	1,665,189,557	1,048,299,590
Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method	283,901,887	39,599,208	283,901,887	39,599,208
Repayment of perpetual bonds	(17,100,000)	-	(17,100,000)	-
Core employee stock ownership plan (Note 1)	(4,445,493)	(3,044,673)	(4,445,493)	(3,044,673)
Long-term service plan (Note 2)	(105,818,133)	-	(81,149,624)	-
	<u>1,821,693,044</u>	<u>1,084,819,351</u>	<u>1,846,396,327</u>	<u>1,084,854,125</u>

Note 1: The Group participates in the core employee stock ownership plan ("the Plan") managed by the ultimate controlling parent company of the Group. The Group gives the legal salaries and performance bonuses of the employees under the Plan to the ultimate controlling parent company of the Group for buying shares of the ultimate controlling parent company of the Group in the market. Those shares would be distributed to the core employees who are approved to be involved in the Plan after certain performance targets are reached.

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7 Notes to the consolidated financial statements (Cont'd)
(30) Capital surplus (Cont'd)

For the year ended 31 December 2019, the share-based payment expenses of the core employee stock ownership plan incurred by the Group and the amount of employees' service that the Group exchanged with share-based payment totalled RMB 6,931,214.

Note 2: From 2019, the Group implemented the long-term service plan for employees of the Company and its subsidiaries. Participants in long-term service plan can only apply for vesting of plan equity when they retire from the Company, and they will finally be vested after confirmation.

Changes in capital surplus related to the long-term service plan are as follows:

	Shareholding through long-term service plan	Value of employees' service	Total
1 January 2019	-	-	-
Cost of stock purchase through long-term service plan (i)	(106,496,478)	-	(106,496,478)
Share-based payment expenses (ii)	-	678,345	678,345
31 December 2019	<u>(106,496,478)</u>	<u>678,345</u>	<u>(105,818,133)</u>

(i) The Group gives the legal salaries and performance bonuses of the employees under the Plan to the ultimate controlling parent company of the Group for buying shares of the ultimate controlling parent company of the Group in the market.

(ii) For the year ended 31 December 2019, the share-based payment expenses of the long-term service plan incurred by the Group and the amount of employees' service that the Group exchanged with share-based payment totalled RMB 678,345.

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7 Notes to the consolidated financial statements (Cont'd)
(31) Surplus reserve

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Balance at the beginning of the year	420,028,990	343,481,633	420,028,990	343,481,633
Appropriation in the current year	117,080,449	76,547,357	117,080,449	76,547,357
Balance at the end of the year	537,109,439	420,028,990	537,109,439	420,028,990

In accordance with the *Law of the People's Republic of China on Foreign-funded Enterprises* and its Implementation Rules, appropriations from net profit should be made to the surplus reserve after offsetting accumulated losses from prior years, and before profit distributions to the investors. The appropriation to the surplus reserve shall be no less than 10% of net profit; however, this is optional when the accumulated appropriation reaches 50% of the registered capital. For the year ended 31 December 2019, the Group appropriated RMB 117,080,449 (2018: RMB 76,547,357) to the surplus reserve from its net profit.

(32) Other comprehensive income
The Group

	31 December 2018	Increase in the current year	31 December 2019
Other comprehensive income items which will be reclassified to profit or loss			
- Differences on translation of foreign currency financial statements	(8,137,175)	(60,239,395)	(68,376,570)
- Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified to profit and loss	2,089,097	(215,025)	1,874,072
- Effective portion of gains or losses on hedging instruments in a cash flow hedge	(12,898,682)	(87,888,533)	(100,787,215)
	<u>(18,946,760)</u>	<u>(148,342,953)</u>	<u>(167,289,713)</u>

The Company

	31 December 2018	Increase in the current year	31 December 2019
Other comprehensive income items which will be reclassified to profit or loss			
- Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified to profit and loss	2,089,097	(215,025)	1,874,072
- Effective portion of gains or losses on hedging instruments in a cash flow hedge	(7,486,743)	(45,280,317)	(52,767,060)
	<u>(5,397,646)</u>	<u>(45,495,342)</u>	<u>(50,892,988)</u>

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7 Notes to the consolidated financial statements (Cont'd)

(33) Undistributed profits

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Undistributed profits at the beginning of the year	6,465,850,937	3,871,302,972	3,161,268,248	3,017,222,199
Changes in accounting policies	-	(51,698,229)	-	(51,698,229)
Add: Net profit for the current year	4,439,327,312	3,215,975,491	1,170,804,490	765,473,575
Less: Appropriation to statutory surplus reserve	(117,080,449)	(76,547,357)	(117,080,449)	(76,547,357)
Less: Interest on perpetual bonds	(496,497,190)	(493,181,940)	(496,497,190)	(493,181,940)
Undistributed profits at the end of the year	<u>10,291,600,610</u>	<u>6,465,850,937</u>	<u>3,718,495,099</u>	<u>3,161,268,248</u>

(34) Revenue

	The Group		The Company	
	2019	2018	2019	2018
Interest income from finance leases	13,874,546,599	10,617,901,789	6,872,602,346	5,969,359,688
Service fee income	2,771,089,760	1,823,377,822	1,143,237,984	624,852,123
Interest income from factoring receivables	1,281,293,325	919,090,197	233,732,084	238,969,374
Rental income from operating leases	397,127,038	703,063,017	6,055,202	9,782,751
Interest income from entrusted loans	862,134,917	685,700,952	592,385,847	450,561,308
Income from equipment sales	112,307,359	294,671,311	2,717,415	1,111,977
Interest income from banking	226,389,669	95,712,994	166,295,788	67,696,991
Income from imaging business	113,127,116	8,677,384	-	-
Income from financing guarantees	-	-	104,005,685	69,087,234
Interest income from borrowings to related parties	30,127,391	-	1,528,587,857	1,570,840,323
	<u>19,668,143,174</u>	<u>15,148,195,466</u>	<u>10,649,620,208</u>	<u>9,002,261,769</u>

(35) Cost of sales

	The Group		The Company	
	2019	2018	2019	2018
Interest costs	8,639,918,821	7,102,083,491	6,226,998,922	5,777,431,591
Fee and commission expenses	923,217,803	834,924,753	632,189,456	450,050,664
Guarantee fee expenses	20,901,745	51,903,418	20,901,745	52,137,304
Depreciation of fixed assets held under operating leases	167,827,206	299,295,123	-	676
Cost of imaging business	95,155,938	21,041,887	2,703	-
Depreciation of investment properties	-	-	7,216,146	5,038,576
	<u>9,847,021,513</u>	<u>8,309,248,672</u>	<u>6,887,308,972</u>	<u>6,284,658,811</u>

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7 Notes to the consolidated financial statements (Cont'd)

(36) Taxes and surcharges

	The Group		The Company	
	2019	2018	2019	2018
City maintenance and construction tax	36,723,299	35,566,342	13,086,733	7,442,271
Educational surcharge	25,667,353	16,910,848	8,372,398	4,311,499
Stamp tax and others	21,689,167	31,028,975	13,026,432	10,153,381
	<u>84,079,819</u>	<u>83,506,165</u>	<u>34,485,563</u>	<u>21,907,151</u>

(37) Operational and administrative expenses

	The Group		The Company	
	2019	2018	2019	2018
Employee benefits	1,671,880,536	1,408,896,464	1,136,921,391	1,105,121,517
Travel expenses	248,286,983	193,603,973	214,274,701	173,851,869
Consulting fee	210,936,864	145,219,205	168,994,567	136,558,759
Entertainment expenses	157,962,974	134,501,706	92,962,540	122,403,026
Rental	120,785,992	108,566,421	97,165,413	87,044,661
Labour outsourcing expenses	86,367,820	44,346,457	68,413,365	41,540,560
Advertising expenses	60,214,081	48,538,291	38,740,734	36,457,175
Amortisation of intangible assets	24,944,259	12,764,943	21,736,201	11,970,205
Conference expenses	17,160,536	8,752,112	14,674,324	6,470,101
Depreciation of fixed assets	26,739,456	19,486,541	13,402,834	10,184,405
Others	89,207,471	68,603,978	50,722,404	42,219,474
	<u>2,714,486,972</u>	<u>2,193,280,091</u>	<u>1,918,008,474</u>	<u>1,773,821,752</u>

(38) Other income

The Group

	2019	2018	Assets related/ Income related
Government grants			
Refund of taxes	573,156,355	444,873,090	Income related
Super deduction of input VAT	615,936	-	Income related
Refund of service fee for withholding individual income tax	1,317,905	1,231,132	Income related
	<u>575,090,196</u>	<u>446,104,222</u>	

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7 Notes to the consolidated financial statements (Cont'd)
(38) Other income (Cont'd)

The Company

	2019	2018	Assets related/ Income related
Government grants			
Refund of taxes	50,360,053	127,052,460	Income related
Super deduction of input VAT	615,936	-	Income related
Refund of service fee for withholding individual income tax	256,024	209,059	Income related
	<u>51,232,013</u>	<u>127,261,519</u>	

(39) Investment income

	The Group		The Company	
	2019	2018	2019	2018
Long-term equity investments (Note 12(2)(j))	410,260,712	125,066,784	467,306,399	125,066,784
Financial assets held for trading	243,372,410	313,902,537	667,835,493	275,584,040
Gains on disposals of subsidiaries	246,714,997	-	182,533,653	-
	<u>900,348,119</u>	<u>438,969,321</u>	<u>1,317,675,545</u>	<u>400,650,824</u>

(40) Gains/(Losses) on changes in fair value

	The Group		The Company	
	2019	2018	2019	2018
Financial assets held for trading	461,332,893	(399,684,122)	462,615,780	(399,613,873)
Derivative financial instruments	(11,817,691)	(12,712,500)	(21,448,290)	(11,817,116)
	<u>449,515,202</u>	<u>(412,396,622)</u>	<u>441,167,490</u>	<u>(411,430,989)</u>

(41) Credit impairment losses

	The Group		The Company	
	2019	2018	2019	2018
Impairment losses on finance lease receivables	1,544,212,371	1,046,619,552	1,318,835,877	562,860,861
Impairment losses on entrusted loans	232,268,804	242,364,237	68,941,009	165,298,948
Impairment losses on factoring receivables	136,177,344	127,678,270	(50,365,111)	42,492,042
Impairment losses on instalment receivables	4,072,024	669,506	-	-
	<u>1,916,730,543</u>	<u>1,417,331,565</u>	<u>1,337,411,775</u>	<u>770,651,851</u>

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7 Notes to the consolidated financial statements (Cont'd)
(42) Asset impairment losses

	The Group		The Company	
	2019	2018	2019	2018
Impairment losses on fixed assets	7,848,367	4,110,041	-	-
Losses on decline in the value of inventories	(1,977,239)	4,132,032	-	-
	<u>5,871,128</u>	<u>8,242,073</u>	<u>-</u>	<u>-</u>

(43) Income tax expenses

	The Group		The Company	
	2019	2018	2019	2018
Current income tax	1,634,784,278	1,759,023,644	314,971,496	400,016,051
Deferred income tax	(86,432,895)	(606,164,347)	(105,285,691)	(138,524,965)
	<u>1,548,351,383</u>	<u>1,152,859,297</u>	<u>209,685,805</u>	<u>261,491,086</u>

Reconciliation between the enterprise income tax calculated at the statutory tax rate and actual amount is as follows:

	The Group		The Company	
	2019	2018	2019	2018
Profit before tax	<u>5,987,065,079</u>	<u>4,368,834,788</u>	<u>1,380,490,295</u>	<u>1,026,964,661</u>
Income tax calculated at applicable income tax rate of 25%	1,496,766,270	1,092,208,697	345,122,574	256,741,165
Effect of expenses not deductible for tax purposes	18,475,297	28,113,539	12,512,275	23,004,975
Utilisation of previously unrecognised deductible temporary differences	(7,364,440)	(7,100,012)	-	-
Tax losses for which no deferred tax asset was recognised	159,842,993	112,570,778	-	-
Non-taxable income	(137,442,396)	(31,661,716)	(137,397,748)	(31,661,716)
Tax filing difference	(11,465,652)	9,011,423	(10,551,296)	13,406,662
Impact of different tax rates applicable to some subsidiaries	29,539,311	(50,283,412)	-	-
	<u>1,548,351,383</u>	<u>1,152,859,297</u>	<u>209,685,805</u>	<u>261,491,086</u>

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7 Notes to the consolidated financial statements (Cont'd)

(44) Notes to the cash flow statement

(a) Reconciliation from net profit to cash flows from operating activities

	The Group	
	2019	2018
Net profit	4,438,713,696	3,215,975,491
Add: Asset impairment losses	5,871,128	8,242,073
Credit impairment losses	1,916,730,543	1,417,331,565
Depreciation of fixed assets	227,560,362	327,195,665
Amortisation of intangible assets	24,944,259	12,764,943
Interest expenses of bonds	3,034,600,505	2,128,183,942
Amortisation of prepaid expenses	30,880,904	46,905,578
Gains on disposal of fixed assets, intangible assets and other long-term assets	(5,342,020)	1,085,133
Investment income	(900,348,119)	(438,969,321)
Increase in inventories	43,350,307	(29,699,178)
Gains on net exposure hedges	121,521,801	14,100,865
Gains/(Losses) on changes in fair value	449,515,202	(412,396,622)
Exchange gains or losses	24,004,892	42,908,730
Increase in deferred tax assets	(126,576,601)	(616,102,509)
Increase in deferred tax liabilities	25,793,387	29,487,147
Increase in operating receivables	(35,395,033,329)	(56,895,121,542)
Increase in operating payables	14,432,796,649	28,917,349,248
Net cash flows used in operating activities	(11,651,016,434)	(22,230,758,792)

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7 Notes to the consolidated financial statements (Cont'd)

(44) Notes to the cash flow statement (Cont'd)

(a) Reconciliation from net profit to cash flows from operating activities (Cont'd)

	The Company	
	2019	2018
Net profit	1,170,804,490	765,473,575
Add: Credit impairment losses	1,337,411,775	770,651,851
Depreciation of fixed assets	13,402,834	10,184,405
Depreciation of investment properties	7,216,146	5,038,576
Amortisation of intangible assets	21,736,201	11,970,205
Interest expenses of bonds	3,034,600,505	2,128,183,942
Amortisation of long-term prepaid expenses	13,787,778	16,280,637
Investment income	(1,317,675,545)	(400,650,824)
Gains/(Losses) on changes in fair value	441,167,490	(411,430,988)
Gains on disposals of assets	123,791	(729)
Exchange gains or losses	(78,431,471)	(9,630,008)
Gains on net exposure hedges	4,968,915	17,537,891
Increase in deferred tax assets	(105,285,692)	(139,291,203)
Increase in operating receivables	(17,882,862,161)	(22,506,030,697)
Increase in operating payables	5,669,802,443	1,977,535,813
Net cash flows used in operating activities	<u>(7,669,232,501)</u>	<u>(17,764,177,554)</u>

(b) Net increase/(decrease) in cash and cash equivalents

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Cash at the end of the year	8,912,836,468	18,193,669,428	5,795,008,270	11,943,463,280
Less: Cash at the beginning of the year	<u>(18,193,669,428)</u>	<u>(12,857,425,866)</u>	<u>(11,943,463,280)</u>	<u>(6,556,082,639)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(9,280,832,960)</u>	<u>5,336,243,562</u>	<u>(6,148,455,010)</u>	<u>5,387,380,641</u>

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7 Notes to the consolidated financial statements (Cont'd)

(44) Notes to the cash flow statement (Cont'd)

(c) Cash and cash equivalents

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Cash at bank and on hand (Note 7(1))	10,381,275,732	20,375,136,907	6,647,499,426	13,083,449,435
Less: Restricted cash at bank	(1,468,439,264)	(2,181,467,479)	(852,491,156)	(1,139,986,155)
Cash and cash equivalents at the end of the year	<u>8,912,836,468</u>	<u>18,193,669,428</u>	<u>5,795,008,270</u>	<u>11,943,463,280</u>

(d) Net proceeds from disposal of subsidiaries

On 30 September 2019, the Group disposed 100% of its entire equity interest in Ping An Dianchuang International Financial Leasing Co., Ltd. to HealthKonnnect Medical and Health Technology Management Company (HK) Limited. The related information at the date of the disposal is as follows:

	Amount
Consideration received from the disposal	1,243,378,204
Cash and cash equivalents received from disposal	621,689,102
Less: Cash and cash equivalents held by Ping An Dianchuang International Financial Leasing Co., Ltd.	(171,358,416)
Net cash received from the disposal	<u>450,330,686</u>

Net assets of the subsidiaries disposed in 2019 at the date of disposal

	Date of disposal
Current assets	3,205,093,722
Non-current assets	4,647,992,704
Current liabilities	(6,091,225,134)
Non-current liabilities	(580,156,644)
Total	<u>1,181,704,648</u>

On 30 November 2019, the Group disposed 100% of its entire equity interest in Ping An Aircraft Leasing Company Limited to Clover Aviation Capital Company Limited. The related information at the date of the disposal is as follows:

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7 Notes to the consolidated financial statements (Cont'd)

(44) Notes to the cash flow statement (Cont'd)

(d) Net proceeds from disposal of subsidiaries (Cont'd)

	Amount
Contract amount (USD: 223,231,111)	1,557,304,877
Settlement of debts and liabilities	723,248,557
Service fees	38,020,290
Cash and cash equivalents received from the disposal	796,036,030
Less: Cash and cash equivalents held by Ping An Aircraft Leasing Company Limited	(376,165,788)
Net cash received from the disposal	<u>419,870,242</u>

Net assets of the subsidiaries disposed in 2019 at the date of disposal

	Date of disposal
Current assets	1,758,564,099
Non-current assets	3,907,838,726
Current liabilities	(3,114,620,542)
Non-current liabilities	(1,940,787,694)
Total	<u>610,994,589</u>

(e) Cash paid relating to other operating activities

Cash paid relating to other operating activities in the cash flow statement mainly includes:

	The Group		The Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Fee and commission expenses	923,217,803	834,924,753	632,189,456	450,050,664
Travel expenses	248,286,983	193,603,973	214,274,701	173,851,869
Consulting fee	210,936,864	145,219,205	168,994,567	136,558,759
Entertainment expenses	157,962,974	134,501,706	92,962,540	122,403,026
Rental	120,785,992	108,566,421	97,165,413	87,044,661
Labour outsourcing expenses	86,367,820	44,346,457	68,413,365	41,540,560
Advertising expenses	60,214,081	48,538,291	38,740,734	36,457,175
Guarantee fees	20,901,745	27,907,501	20,901,745	28,141,388
Deposits and guarantees	-	58,726,255	-	984,403,771
Related-party borrowings and expenses paid by related parties on behalf of the Company/Group	-	-	17,563,333,031	1,777,354,642
Others	175,951,774	70,692,308	65,362,907	32,409,614
	<u>2,004,626,036</u>	<u>1,667,026,870</u>	<u>18,962,338,459</u>	<u>3,870,216,129</u>

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8 Business combinations

Business combinations involving enterprises not under common control

On 30 November 2019, the Group acquired 80% of the equity interests in Xiamen Zhouxin Medical Imaging Diagnoses Centre Co., Ltd. from Xiamen Zhouxin Medical Imaging Co., Ltd. The acquisition date of this transaction is 30 November 2019, on which the Group effectively obtained the power to control Xiamen Zhouxin Medical Imaging Diagnoses Centre Co., Ltd. Details of net assets obtained and goodwill recognised are as follows:

Cost of combination -	
Cash paid	44,854,882
Fair value of non-cash assets transferred	-
Fair value of liabilities incurred or assumed	-
Total cost of combination	44,854,882
Less: Fair value of the identifiable net assets obtained	44,342,386
Goodwill	512,496

The assets and liabilities of Xiamen Zhouxin Medical Imaging Diagnoses Centre Co., Ltd. at the acquisition date, and the cash flows relating to the acquisition are as follows:

	Fair value Acquisition date	Carrying amount Acquisition date
Cash at bank and on hand	870,130	870,130
Accounts receivable	4,517,392	4,484,258
Advances to suppliers	318,941	318,941
Other receivables	379,515	379,515
Other current assets	851,060	851,060
Fixed assets	44,155,144	43,895,126
Intangible assets	5,334,516	4,227,975
Long-term prepaid expenses	20,552,261	20,552,261
Other non-current assets	200,000	200,000
Less: Accounts payable	2,837,776	2,837,776
Other payables	17,710,608	17,710,608
Advances from customers	315,703	315,703
Employee benefits payable	733,287	733,287
Taxes payable	153,602	153,602
Net assets	55,427,983	54,028,290
Net assets obtained	44,342,386	43,222,632

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8 Business combinations (Cont'd)

Business combinations involving enterprises not under common control (Cont'd)

Consideration paid in cash	44,854,882
Less: Cash and cash equivalents in the subsidiary acquired	(870,130)
Net cash outflow on acquisition of the subsidiary	<u>43,984,752</u>

9 Interests in structured entities
(1) Unconsolidated structured entities
(a) Unconsolidated structured entities managed by the Group

As at 31 December 2019, unconsolidated structured entities managed by the Group amounted to RMB 701,108,100. On 27 November 2019, Ping An Aviation Capital Company Limited ("PAAC"), a subsidiary of the Group, sold its wholly owned subsidiary Ping An Aircraft Leasing Company Limited ("PAAL") and 21 SPVs held by PAAL to Clover Aviation Capital Company Limited, a subsidiary of Clover Investment L.P. (A CAYMAN ISLANDS EXEMPTED LIMITED PARTNERSHIP). As at 31 December 2019, PAAC, as a limited partner, held 30% of shares of the limited partnership in Clover Investment L.P. The Group didn't participate in or influence the financial and operating decisions of Clover Investment L.P. in any way; thereby the Group has no significant influence over Clover Investment L.P., and accordingly the Group accounts for Clover Investment L.P. as other non-current financial assets.

(b) Unconsolidated structured entities invested by the Group

As at 31 December 2019, unconsolidated structured entities invested by the Group, amounting to RMB 2,716,750,695 (31 December 2018: RMB 2,630,728,682), mainly included wealth management products entrusted by the Group to an asset management company and third-party trust investments purchased by the Group. Among them, for the wealth management products under entrusted investment, the Group, as the principal, signed the *Entrusted Investment Management Agreement* with the trustee, and the trustee uses entrusted assets to engage in investment and management of various portfolios of financial instruments in the financial market to achieve revenue maximisation of entrusted assets. For trust investments, the Group, as the trustee, delivers funds to trust institutions; and the trustee manages, uses and disposes the trust property in accordance with the provisions of the signed contract to obtain investment income for the principal.

In 2019, the Group didn't provide financial support to these structured entities (2018: Nil).

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9 Interests in structured entities (Cont'd)
(1) Unconsolidated structured entities (Cont'd)
(b) Unconsolidated structured entities invested by the Group (Cont'd)

The carrying amount (including interest receivable) of and the maximum loss exposure arising from the Group's investment in unconsolidated structured entities are as follows:

31 December 2019	Unconsolidated structured entities			
	Total assets	Carrying amount	The Company's maximum risk exposure	Nature of the interest held by the Group
Wealth management products	(Note)	2,008,503,136	2,008,503,136	Investment income
Trust investment	(Note)	1,535,742,707	1,535,742,707	Investment income
Total	(Note)	3,544,245,843	3,544,245,843	

31 December 2018	Unconsolidated structured entities			
	Total assets	Carrying amount	The Company's maximum risk exposure	Nature of the interest held by the Group
Wealth management products	(Note)	2,011,674,170	2,011,674,170	Investment income
Trust investment	(Note)	1,888,146,543	1,888,146,543	Investment income
Total	(Note)	3,899,820,713	3,899,820,713	

Note: The above information on the scale of the above products is non-public.

(2) Consolidated structured entities (Cont'd)

In the business of asset-backed securitisation, the Group entrusts part of long-term receivables to an asset management company and sets up specific purpose asset management plans. The asset management company issues asset-backed securities based on the cash flows generated from long-term receivables. The Group acts as an asset service institution to manage and collect long-term receivables, and holds part of the asset-back securities issued. As at 31 December 2019, the maximum loss exposure of consolidated specific purpose asset management plans is asset-backed securities initiated by the SPTs and held by the Group, which amounted to RMB 5,175 million and were presented as long-term receivables.

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10 Commitments
(1) Capital commitments

Capital expenditures contracted for by the Group but are not yet necessary to be recognised on the balance sheet as at the balance sheet date are as follows:

	31 December 2019	31 December 2018
Aircraft	-	1,062,396,250
Vehicles purchased	227,443,700	6,324,000
	<u>227,443,700</u>	<u>1,068,720,250</u>

(2) Operating lease commitments

The future minimum lease payments due under the signed irrevocable operating leases contracts are summarised as follows:

	31 December 2019	31 December 2018
Within 1 year	92,419,786	72,169,542
1 to 2 years	68,954,409	49,902,193
2 to 3 years	26,733,000	31,767,840
Over 3 years	27,392,320	20,405,392
	<u>215,499,515</u>	<u>174,244,967</u>

(3) Facility commitments

As at 31 December 2019, the Group had a finance lease commitment of RMB 3,503,130,664 (31 December 2018: RMB 11,021,698,962). The finance lease commitment can be cancelled by the Group after a certain period, or automatically cancelled in accordance with the relevant financing lease contract if the lessee's repayment ability deteriorates. The total contractual amount of the finance lease commitment does not necessarily represent the future cash outflow.

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11 Events after the balance sheet date

Analysis on the impact of COVID-19

Since the COVID-19 ("COVID-19") broke out nationwide in January 2020, the prevention and control of the COVID-19 epidemic is ongoing throughout the country. The Group will fully implement the requirements of the *Notice on Matters concerning Further Strengthening Financial Support for the Prevention and Control of NCP*, jointly issued by the PBOC, the Ministry of Finance, the CBIRC, the CSRC and the State Administration of Foreign Exchange ("SAFE"), to strengthen financial support for the prevention and control of the epidemic.

The COVID-19 epidemic has a certain impact on the operation of some areas or industries, including Hubei Province, and on the overall economic operation, which may affect the quality or income level of credit assets and assets invested by the Group to a certain extent. The extent of the impact depends on the situation of the epidemic prevention, duration of the epidemic and the implementation of various regulatory policies.

The Group will pay close attention to the development of the COVID-19 epidemic, evaluate and actively respond to its impact on the Group's financial position, operating results and other aspects. As at the reporting date of this report, the evaluation is still in progress.

12 Related parties and related party transactions

(1) The parent company and subsidiaries

The general information and other related information of the subsidiaries are set out in Note 6.

(a) General information of the parent company

Name	Place of registration
Ping An Group	Shenzhen, PRC

Ping An Group was incorporated in Shenzhen, the People's Republic of China on 21 March 1988. The scope of business of Ping An Group includes life insurance, property insurance, trust business, securities, banking and other business.

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12 Related parties and related party transactions (Cont'd)

(1) The parent company and subsidiaries (Cont'd)

(b) Registered capital and changes in registered capital of the parent company

In RMB million	31 December 2019	31 December 2018
Ping An Group	<u>18,280</u>	<u>18,280</u>

(c) The percentages of shareholding and voting rights in the Group held by the parent company

	31 December 2019		31 December 2018	
	Shareholding (%)	Voting rights (%)	Shareholding (%)	Voting rights (%)
Ping An Group	<u>69.44%</u>	<u>69.44%</u>	<u>67.93%</u>	<u>67.93%</u>

(d) Nature of related parties that do not control/ are not controlled by the Company

Name of related party	Relationship with the Group
HealthKonnnect Medical and Health Technology Management Company (HK) Limited	Associate of the parent company
Shanghai One Connect Financial Technology Co., Ltd.	Associate of the parent company
Shanghai Anyitong E-Commerce Co., Ltd.	Controlled by the same parent company
Shanghai Jahwa Commerce and Trade Co., Ltd.	Controlled by the same parent company
Shanghai Ping An Automobile E-Commerce Co., Ltd.	Controlled by the same parent company
Shanghai Ping An Equity Investment Management Co., Ltd.	Controlled by the same parent company
Shanghai Lanhaixiang Country Club Co., Ltd.	Controlled by the same parent company
Shanghai Huping Investment Management Co., Ltd.	Controlled by the same parent company
China Ping An Life Insurance Co., Ltd.	Controlled by the same parent company
Ping An Property & Casualty Insurance Company of China, Ltd.	Controlled by the same parent company
An Ke Technology Company Limited	Controlled by the same parent company
Changzhou Pingsheng Equity Investment Fund LLP	Consolidated structured entity of the parent company
Ping An Wanjia Healthcare Investment Management Co., Ltd.	Associate of the parent company
Ping An Pay Electronic Payment Co., Ltd.	Controlled by the same parent company
Ping An Pay Intelligence Technology Co., Ltd.	Controlled by the same parent company
Ping An Health Cloud Company Limited	Associate of the parent company
Ping An Health Insurance Co., Ltd.	Controlled by the same parent company
Ping An Annuity Insurance Company Ltd.	Controlled by the same parent company
Ping An Medical and Healthcare Management Co., Ltd.	Associate of the parent company
Ping An Fund Management Co., Ltd.	Controlled by the same parent company

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12 Related parties and related party transactions (Cont'd)

(1) The parent company and subsidiaries (Cont'd)

(d) Nature of related parties that do not control/are not controlled by the Company (Cont'd)

Name of related party	Relationship with the Group
Pingan Haofang (Shanghai) E-commerce Co., Ltd.	Controlled by the same parent company
Ping An Puhui Information Services Co., Ltd.	Associate of the parent company
Ping An Puhui Real Estate Service Co., Ltd.	Controlled by the same parent company
Pingan Puhui Investment Consulting Co., Ltd.	Associate of the parent company
Ping An Puhui Financing Guarantee Co., Ltd.	Associate of the parent company
Ping An Dianchuang International Financial Leasing Co., Ltd.	Associate of the parent company
Ping An Direct Consultancy Co., Ltd.	Controlled by the same parent company
Ping An Technology (Shenzhen) Co., Ltd.	Controlled by the same parent company
Ping An Securities Co., Ltd.	Controlled by the same parent company
Ping An Assets Management Co., Ltd.	Controlled by the same parent company
Ping An Bank Co., Ltd.	Controlled by the same parent company
Guangzhou Pingan Haoyi Medical Examination Laboratory Co., Ltd.	Joint venture of the parent company
Wuhan Pingan Haoyi Medical Examination Laboratory	Joint venture of the parent company
Hefei Pingan Haoyi Medical Examination Co., Ltd.	Joint venture of the parent company
Shenzhen Pingan Haoyi Examination Holdings Co., Ltd.	Joint venture of the parent company
Shenzhen Pingan Haoyi Medical Examination Laboratory	Joint venture
Shanghai Pingan Pay Intelligence Business Information Consulting Co., Ltd.	Controlled by the same parent company
Shanghai Ping An Health Culture Communication Co., Ltd.	Controlled by the same parent company
Shanghai Shield Information Technology Co., Ltd.	Controlled by the same parent company
Jieyin International Travel Agency (Shanghai) Co., Ltd.	Controlled by the same parent company
Weikun (Shanghai) Technology Service Company Limited	Associate of the parent company
Hangzhou Pingan Haoyi Medical Examination Laboratory Co., Ltd.	Joint venture of the parent company
Shenzhen Wanlitong Internet & Information Technology Co., Ltd.	Controlled by the same parent company
Shenzhen Qianhai Financial Assets Exchange Co., Ltd.	Associate of the parent company
Shenzhen One Connect Intelligence Technology Company Ltd.	Associate of the parent company
Shenzhen Ping An Real Estate Investment Co., Ltd.	Controlled by the same parent company
Shenzhen Ping An HuiFu Asset Management Co., Ltd.	Associate of the parent company
Shenzhen Ping An Huitong Investment Management Co., Ltd.	Controlled by the same parent company
Shenzhen Ping An Integrated Financial Services Co., Ltd.	Controlled by the same parent company
Shenzhen Ping An Xunke Technology Co., Ltd.	Controlled by the same parent company
Shenzhen Pingan Communication Technology Co., Ltd.	Controlled by the same parent company
Ping An Financial Centre Construction & Development Co., Ltd.	Controlled by the same parent company
Shenzhen Ping An Financial Technology Consulting Co., Ltd.	Controlled by the same parent company
Shenzhen Pingke Information Consulting Co., Ltd.	Associate
Zhuhai Yirongtong Asset Management Co., Ltd.	Associate of the parent company

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12 Related parties and related party transactions (Cont'd)

(1) The parent company and subsidiaries (Cont'd)

(d) Nature of related parties that do not control/are not controlled by the Company (Cont'd)

Chongqing Yunzhongshan Financial Services Co., Ltd.	Associate of the parent company
Chongqing Yunzhongsong Asset Management Co., Ltd.	Associate of the parent company
Hong Kong Zhongjiahe Co., Ltd.	Associate of the parent company
Ping An Overseas Holdings	Shareholder with significant influence on the Company

(2) Related party transactions

(a) Pricing policies

Related party transactions of the Group mainly comprise capital and business transactions with related parties and advances. Pricing on capital and business transactions with related parties is negotiated by both parties. Operational and administrative expenses paid by the Group on behalf of related parties are calculated based on the cost and expenses attributable to businesses of related parties.

(b) Interest income

	2019	2018
Ping An Dianchuang International Financial Leasing Co., Ltd.	36,385,646	-
Shenzhen Ping An Huitong Investment Management Co., Ltd.	710,799	-
Ping An Bank Co., Ltd.	15,896	271,886
	<u>37,112,341</u>	<u>271,886</u>

(c) Service fee income

	2019	2018
Ping An Medical and Healthcare Management Co., Ltd.	3,132,160	-
Ping An Property & Casualty Insurance Company of China, Ltd.	227,714	665,223
	<u>3,359,874</u>	<u>665,223</u>

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12 Related parties and related party transactions (Cont'd)

(2) Related party transactions (Cont'd)

(d) Income from imaging business

	2019	2018
Ping An Health Cloud Company Limited	15,177,649	830,400
Shenzhen Pingan Haoyi Medical Examination Laboratory	11,974,046	-
Ping An Medical and Healthcare Management Co., Ltd.	309,318	-
China Ping An Life Insurance Co., Ltd.	37,840	-
Ping An Annuity Insurance Company Ltd.	15,336	-
Ping An Property & Casualty Insurance Company of China, Ltd.	14,239	-
	<u>27,528,428</u>	<u>830,400</u>

(e) Interest costs

	2019	2018
Ping An Bank Co., Ltd.	201,877,003	143,215,989
An Ke Technology Company Limited	9,672,683	24,239,422
Ping An Dianchuang International Financial Leasing Co., Ltd.	1,233,466	-
	<u>212,783,152</u>	<u>167,455,411</u>

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12 Related parties and related party transactions (Cont'd)

(2) Related party transactions (Cont'd)

(f) Fee and commission expenses

	2019	2018
Ping An Pay Intelligence Technology Co., Ltd.	31,402,220	5,459,212
Ping An Bank Co., Ltd.	27,565,772	-
Ping An Securities Co., Ltd.	27,148,932	729,962
Ping An Annuity Insurance Company Ltd.	12,432,886	5,648,474
Hong Kong Zhongjiahe Co., Ltd.	11,331,582	-
Shenzhen One Connect Intelligence Technology Company Ltd.	7,667,227	143,347
Shenzhen Qianhai Financial Assets Exchange Co., Ltd.	6,798,949	-
Ping An Property & Casualty Insurance Company of China, Ltd.	4,488,039	848,934
Ping An Medical and Healthcare Management Co., Ltd.	3,538,679	-
Zhuhai Yirongtong Asset Management Co., Ltd.	3,016,332	-
Shanghai Anyitong E-Commerce Co., Ltd.	2,030,352	-
Ping An Health Cloud Company Limited	1,315,627	-
Shenzhen Ping An Real Estate Investment Co., Ltd.	811,321	-
Shenzhen Ping An Integrated Financial Services Co., Ltd.	451,868	99,823
Chongqing Yunzhongsong Asset Management Co., Ltd.	406,979	1,740,150
Shenzhen Wanlitong Internet & Information Technology Co., Ltd.	45,706	-
Ping An Technology (Shenzhen) Co., Ltd.	6,604	-
	<u>140,459,075</u>	<u>14,669,902</u>

(g) Cost of imaging business

	2019	2018
Ping An Wanjia Healthcare Investment Management Co., Ltd.	6,389,814	1,137,662
Shenzhen Wanlitong Internet & Information Technology Co., Ltd.	1,030,869	722,133
Ping An Health Cloud Company Limited	98,533	-
Ping An Property & Casualty Insurance Company of China, Ltd.	22,050	-
	<u>7,541,266</u>	<u>1,859,795</u>

(h) Guarantee fee expenses

	2019	2018
Ping An Insurance (Group) Company of China, Ltd.	<u>20,901,745</u>	<u>51,903,418</u>

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12 Related parties and related party transactions (Cont'd)

(2) Related party transactions (Cont'd)

(i) Operational and administrative expenses

	2019	2018
Shenzhen Pingan Communication Technology Co., Ltd.	41,744,520	8,507,824
Ping An Technology (Shenzhen) Co., Ltd.	37,389,373	31,242,153
Shenzhen Ping An Integrated Financial Services Co., Ltd.	24,498,652	21,884,050
Ping An Group	22,812,031	17,539,384
Shenzhen Wanlitong Internet & Information Technology Co., Ltd.	9,041,186	6,847,775
Shenzhen One Connect Intelligence Technology Company Ltd.	6,466,432	2,681,703
Ping An Health Cloud Company Limited	5,078,850	3,595,754
Ping An Annuity Insurance Company Ltd.	2,201,832	1,602,136
Ping An Direct Consultancy Co., Ltd.	2,183,666	-
Jieyin International Travel Agency (Shanghai) Co., Ltd.	1,376,618	-
Shanghai Anyitong E-Commerce Co., Ltd.	656,891	-
Ping An Property & Casualty Insurance Company of China, Ltd.	503,165	208,845
China Ping An Life Insurance Co., Ltd.	456,353	432,184
Shenzhen Ping An Real Estate Investment Co., Ltd.	452,830	452,830
Shanghai Huping Investment Management Co., Ltd.	188,679	-
Shenzhen Ping An Financial Technology Consulting Co., Ltd.	94,966	-
Shanghai Lanhaixiang Country Club Co., Ltd.	60,000	11,125
Ping An Pay Intelligence Technology Co., Ltd.	43,359	2,813
Shanghai Jahwa Commerce and Trade Co., Ltd.	26,018	-
Ping An Financial Centre Construction & Development Co., Ltd.	8,108	-
Shanghai Pingan Pay Intelligence Business Information Consulting Co., Ltd.	-	559,108
Pingan Haofang (Shanghai) E-commerce Co., Ltd.	-	358,070
Shanghai Ping An Health Culture Communication Co., Ltd.	-	122,915
Shanghai Shield Information Technology Co., Ltd.	-	1,616
	<u>155,283,529</u>	<u>96,050,285</u>

The above operational and administrative expenses mainly refer to internal advisory fees and service outsourcing fees.

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12 Related parties and related party transactions (Cont'd)

(2) Related party transactions (Cont'd)

(j) Investment income

	2019	2018
Long-term equity investments - Shenzhen Pingke Information Consulting Co., Ltd.	467,306,399	125,066,784
Wealth management products managed by Shenzhen Ping An HuiFu Asset Management Co., Ltd.	134,847,222	134,847,222
Disposal of Ping An Dianchuang International Financial Leasing Co., Ltd.	61,673,556	-
Wealth management products issued and managed by Ping An Bank Co., Ltd.	12,842,497	11,288,864
Long-term equity investments - Shenzhen Pingan Haoyi Medical Examination Laboratory	(57,045,687)	-
Entrusted loans to Shenzhen Ping An Financial Technology Consulting Co., Ltd.	-	12,083,333
	<u>619,623,987</u>	<u>283,286,203</u>

(3) Receivables from and payables to related parties

(a) Cash at bank

	31 December 2019	31 December 2018
Ping An Bank Co., Ltd.	<u>1,821,758,854</u>	<u>3,814,757,231</u>

(b) Financial assets held for trading

	31 December 2019	31 December 2018
Wealth management products managed by Shenzhen Ping An HuiFu Asset Management Co., Ltd.	2,008,503,136	-
Structured deposits and monetary funds issued and managed by Ping An Bank Co., Ltd.	<u>1,500,000,000</u>	<u>300,000,000</u>
	<u>3,508,503,136</u>	<u>300,000,000</u>

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12 Related parties and related party transactions (Cont'd)

(3) Receivables from and payables to related parties (Cont'd)

(c) Other non-current financial assets

	31 December 2019	31 December 2018
Wealth management products managed by Shenzhen Ping An HuiFu Asset Management Co., Ltd.	-	2,011,674,170
Wealth management products managed by Changzhou Pingsheng Equity Investment Fund LLP	18,928,860	18,209,062
	<u>18,928,860</u>	<u>2,029,883,232</u>

(d) Notes payable

	31 December 2019	31 December 2018
Ping An Bank Co., Ltd.	<u>640,000</u>	<u>-</u>

(e) Advances from customers

	31 December 2019	31 December 2018
Ping An Medical and Healthcare Management Co., Ltd.	3,903,424	-
Ping An Health Insurance Co., Ltd.	1,000,000	-
Ping An Bank Co., Ltd.	167,314	9,980
Ping An Annuity Insurance Company Ltd.	49,500	-
Ping An Property & Casualty Insurance Company of China, Ltd.	31,500	-
China Ping An Life Insurance Co., Ltd.	14,440	-
Ping An Securities Co., Ltd.	12,000	12,000
Shenzhen Ping An Xunke Technology Co., Ltd.	5,761	-
Ping An Health Cloud Company Limited	2,280	-
	<u>5,186,219</u>	<u>21,980</u>

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12 Related parties and related party transactions (Cont'd)

(3) Receivables from and payables to related parties (Cont'd)

(f) Advances to suppliers

	31 December 2019	31 December 2018
Shanghai Huping Investment Management Co., Ltd.	900,000	900,000
Shanghai Lanhaixiang Country Club Co., Ltd.	715,763	775,763
	<u>1,615,763</u>	<u>1,675,763</u>

(g) Long-term receivables

	31 December 2019	31 December 2018
Ping An Dianchuang International Financial Leasing Co., Ltd.	5,569,996,086	-

(h) Accounts receivable

	31 December 2019	31 December 2018
Ping An Health Cloud Company Limited	8,460,257	-
Ping An Medical and Healthcare Management Co., Ltd.	306,318	-
Ping An Life Insurance Company of China, Ltd.	36,580	-
Ping An Property & Casualty Insurance Company of China, Ltd.	31,500	-
Ping An Annuity Insurance Company Ltd.	12,636	-
	<u>8,847,291</u>	<u>-</u>

(i) Notes receivable

	31 December 2019	31 December 2018
Ping An Bank Co., Ltd.	640,000	-

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12 Related parties and related party transactions (Cont'd)

(3) Receivables from and payables to related parties (Cont'd)

(j) Other receivables

	31 December 2019	31 December 2018
Ping An Dianchuang International Financial Leasing Co., Ltd.	4,488,385,407	-
HealthKonnnect Medical and Health Technology Management Company (HK) Limited	621,689,097	-
Shenzhen Pingan Haoyi Examination Holdings Co., Ltd.	89,169,975	55,000,000
Ping An Technology (Shenzhen) Co., Ltd.	18,981,709	18,415,302
Shenzhen Pingan Haoyi Medical Examination Laboratory	14,263,885	-
Guangzhou Pingan Haoyi Medical Examination Laboratory Co., Ltd.	10,679,153	-
Wuhan Pingan Haoyi Medical Examination Laboratory	5,176,793	-
Hefei Pingan Haoyi Medical Examination Co., Ltd.	5,167,838	-
Ping An Medical and Healthcare Management Co., Ltd.	3,867,956	-
Hangzhou Pingan Haoyi Medical Examination Laboratory Co., Ltd.	743,362	-
Ping An Property & Casualty Insurance Company of China, Ltd.	635,321	-
Shenzhen Wanlitong Internet & Information Technology Co., Ltd.	100,000	100,000
Ping An Puhui Real Estate Service Co., Ltd.	24,765	12,935
Shanghai One Connect Financial Technology Co., Ltd.	21,705	21,705
Ping An Bank Co., Ltd.	19,549	9,096
Shenzhen Ping An Integrated Financial Services Co., Ltd.	14,755	14,755
China Ping An Life Insurance Co., Ltd.	9,131	1,189
Pingan Haofang (Shanghai) E-commerce Co., Ltd.	8,598	-
Ping An Health Cloud Company Limited	6,569	-
Shenzhen Ping An Xunke Technology Co., Ltd.	5,761	-
Ping An Annuity Insurance Company Ltd.	4,895	4,895
Ping An Puhui Information Services Co., Ltd.	4,245	-
Ping An Securities Co., Ltd.	2,645	2,645
Ping An Group	11	11
	<u>5,258,983,125</u>	<u>73,582,533</u>

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12 Related parties and related party transactions (Cont'd)

(3) Receivables from and payables to related parties (Cont'd)

(k) Other payables

	31 December 2019	31 December 2018
Ping An Pay Intelligence Technology Co., Ltd.	25,352,497	26,098
Ping An Technology (Shenzhen) Co., Ltd.	6,400,618	3,545,494
Shenzhen Ping An Integrated Financial Services Co., Ltd.	6,370,719	3,097,242
Ping An Bank Co., Ltd.	5,168,913	8,238,435
Shenzhen Pingan Communication Technology Co., Ltd.	4,128,587	905,118
China Ping An Life Insurance Co., Ltd.	3,992,101	6,358,221
Ping An Medical and Healthcare Management Co., Ltd.	3,904,904	6,615
Ping An Health Insurance Co., Ltd.	597,107	246,785
Ping An Property & Casualty Insurance Company of China, Ltd.	429,599	292,079
Ping An Assets Management Co., Ltd.	135,189	4,106,272
Ping An Puhui Information Services Co., Ltd.	43,852	-
Pingan Haofang (Shanghai) E-commerce Co., Ltd.	36,131	7,732
Ping An Securities Co., Ltd.	25,428	-
Ping An Wanjia Healthcare Investment Management Co., Ltd.	24,256	-
Weikun (Shanghai) Technology Service Company Limited	13,079	-
Shanghai Ping An Equity Investment Management Co., Ltd.	11,897	11,897
Ping An Health Cloud Company Limited	9,781	-
Chongqing Yunzhongshan Financial Services Co., Ltd.	8,901	8,901
Ping An Fund Management Co., Ltd.	7,529	7,529
Ping An Dianchuang International Financial Leasing Co., Ltd.	5,172	-
Ping An Pay Electronic Payment Co., Ltd.	4,989	-
Ping An Puhui Financing Guarantee Co., Ltd.	2,261	-
Shanghai Ping An Automobile E-Commerce Co., Ltd.	271	271
	<u>56,673,781</u>	<u>26,858,689</u>

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12 Related parties and related party transactions (Cont'd)

(3) Receivables from and payables to related parties (Cont'd)

(l) Long-term payables

	31 December 2019	31 December 2018
Ping An Dianchuang International Financial Leasing Co., Ltd.	<u>78,008,130</u>	<u>-</u>

(m) Long-term borrowings

	31 December 2019	31 December 2018
Ping An Assets Management Co., Ltd.	14,692,176,111	-
Ping An Bank Co., Ltd.	<u>4,958,694</u>	<u>-</u>
	<u>14,697,134,805</u>	<u>-</u>

(n) Short-term borrowings

	31 December 2019	31 December 2018
An Ke Technology Company Limited	<u>-</u>	<u>14,697,134,805</u>

(o) Guarantees received from related parties

	31 December 2019	31 December 2018
Ping An Group	<u>5,138,790,000</u>	<u>7,861,267,145</u>

13 Financial risk management

1 Overview of financial risk management

The Group is exposed to a variety of financial risks during its operating activities, and it analyses, evaluates, accepts and manages certain extent of such risks or group of risks. Financial risk management is critical to the industry in which the Group operates, and business operation certainly gives rise to financial risks. The Group's is aimed at achieving an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial statements.

The Group's risk management policies are designed to identify and analyse related risks, so as to set appropriate risk limits and controls, and to monitor the risks and limits through appropriate control processes.

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13 Financial risk management (Cont'd)

1 Overview of financial risk management (Cont'd)

The senior management of the Company designs risk management policies and procedures, which cover credit risk, market risk, liquidity risk, etc. After the policies and procedures are approved by the Board of Directors, they will be implemented by the Business Department, Finance Department, Treasury Department, and Risk Control Department under the guidance of Risk Management Executive Committee.

2 Credit risk

The Group is mainly exposed to credit risk, market risk and liquidity risk. And the market risk mainly refers to exchange rate risk and interest rate risk.

Credit risks lie in where the debtor or counterparty is unable to or reluctant to perform its obligations or commitments.

(1) Credit risk management

Credit risk is managed on the grouping basis by the Group. The credit risk that the Group is mainly exposed to relates to deposits at commercial banks and receivables.

(i) Deposits at commercial banks

The deposits at commercial banks of the Group are primarily placed with the related party, Ping An Bank Co., Ltd. ("Ping An Bank"), state-owned commercial banks and large-scale listed commercial banks. The Group expects that there is no significant credit risk. Management does not expect that there will be any significant losses from non-performance by these counterparties.

(ii) Receivables and other receivables

Receivables mainly comprise long-term receivables.

The Group adopts standardised management for the whole business procedure of long-term receivables, including project investigation and declaration, examination and approval, the distribution of the long-term receivables, monitoring in the subsequent period and management of non-performing long-term receivables. Through risk classification system, credit risk management policies and procedures, business information system, business investment management and asset portfolio optimisation, the Group is able to identify, monitor and manage the credit risk at each link in a timely and effective manner.

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13 Financial risk management (Cont'd)

2 Credit risk (Cont'd)

(1) Credit risk management (Cont'd)

(ii) Receivables and other receivables (Cont'd)

Changes in economic environment or long-term receivables in a particular industry of the asset portfolios may result in losses to the Group. Credit risks in the balance sheets are mainly from long-term receivables. At present, the majority of the Group's operating activities are carried out in Mainland China but different regions of Mainland China have their unique economic characteristics. As a result, the management monitors credit risk prudently. The Group's Business Department and Risk Control Department are responsible for monitoring credit risk and the monitored results would be reported to the management periodically. The Group has established related mechanism to set up line of credit risk which is bearable for individual debtor. Meanwhile, the Group regularly monitors the aforesaid line of credit risk, and implements asset classification confirmation on a quarterly basis.

Based on the five-grade classification system issued by China Bank Regulatory Commission, the Group divides the credit asset risk into ten grades, that is, Pass One, Pass Two, Pass Three, Pass Four, Pass Five, Special Mention One, Special Mention Two, Substandard, Doubtful, and Loss. The Group adopts different management policies according to different risk grades of credit assets.

The Group adopts different receivables write-off policies for different customers. For corporate customers, receivables are written off after the execution procedures are terminated (suspended) by a court's verdict, for which the creditor's rights have not been recovered, or the execution procedures are difficult to be carried out, or there is no property available for execution, after appealing to the law, obtaining effective judgements of the court, and entering the enforcement proceeding for 1 year or more. For small and micro financial customers, receivables are written off if the risk exposure of a single customer is less than RMB 500,000, and the creditor's rights have not been recovered for one year or more after the actual overdue date. For non-corporate customers engaged in leases of cars and consumption lease, receivables are written off if the creditor's rights (or core rental objects) have not been recovered when the single risk exposure is no more than RMB 500,000, and the number of overdue days reaches or exceeds 181 days, or if there are still unrecoverable remaining creditor's rights when core rental objects are taken back and disposed, and the funds are written off.

(2) Risk limit management and mitigation policies

The Group manages, limits and controls the credit risk concentrated in individual debtor, group, industry and region.

The Group manages credit risk exposure based on periodic analysis on the debtor's ability to repay the principal and interest, and the periodic report prepared through interview with clients of different risk types.

Other specific management and mitigation measures are summarised as follows:

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13 Financial risk management (Cont'd)

2 Credit risk (Cont'd)

(2) Risk limit management and mitigation policies (Cont'd)

(i) Guarantees

The Group mitigates credit risk by obtaining collateral/pledge, guaranty and corporate or individual credit guarantee.

Generally, guarantee is required by the Group for finance lease business. Guarantee varies based on the lessee's credit record, credit risk exposure of the leasing and different characteristics of guarantee. Also, the Group assesses the guarantor's ability to guarantee, the ownership and value of collaterals and pledges, and the feasibility of realising mortgage and pledge rights. For long-term receivables guaranteed by a third party, the Company will evaluate this third party's financial position, credit record and ability to meet obligations of the guarantor.

(ii) Insurance to the finance lease asset

For finance lease, the ownership of the lease asset belongs to the Group before the term of lease expires, while the risks and rewards in operational use and maintenance belong to the lessee. Therefore, if there is insurance accident occurred to the lease asset, the lessee should report immediately to the insurance company and notify the Group with relevant documents on reason of the accident for the Group to process claims from the insurance company.

(3) Measurement of expected credit losses

According to the new standards regulating financial instruments, the Group has employed the "expected credit loss model" to make provision for impairment of financial assets measured at amortised cost.

Parameters for measuring expected credit losses

Measuring expected credit losses involves the following models, parameters, and assumptions:

Based on whether the credit risk has increased significantly and whether the assets have suffered credit impairment, in the light of the different risk characteristics of assets, the Group choose to measure the provision for impairment loss by the 12-month or lifetime expected credit losses. The expected credit loss is the discounted product of exposure at default (EAD), probability of default (PD) and loss given default (LGD).

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13 Financial risk management (Cont'd)

2 Credit risk (Cont'd)

(3) Measurement of expected credit losses (Cont'd)

- i) Exposure at default refers to the amount that the Group should be repaid in the event of default in the next 12 months or throughout the remaining lifetime.
- ii) Probability of default refers to the possibility that the debtor will not be able to meet its repayment obligations in the next 12 months or throughout the remaining lifetime.
- iii) Loss given default refers to the Group's expectation of the extent of the losses caused by exposure at default. Loss given default varies depending on the type of counterparty, the manner and priority of recourse, and the availability of collateral or other credit support.

Lifetime probability of default is derived from the 12-month probability of default based on the expiry information. The expiry analysis covers the changes in default from the initial recognition throughout the lifetime of the assets. The maturity profile is based on the observable historical data and is assumed to be the same for all assets within a portfolio and of the same credit rating. The above analysis is supported by historical data.

Criteria involved in the judgement of significant changes in credit risk

The Group assesses at each balance sheet date whether the credit risk of relevant financial instruments has changed significantly since the initial recognition. When determining the impairment stage of financial assets, the Group takes account of all reasonable and evidenced information, including forward-looking information, that reflects significant changes in their credit risk. The main considerations are regulatory and operating environment, internal and external credit ratings, solvency and operational capabilities, etc. Based on individual financial instruments or groupings of financial instruments with similar credit risk characteristics, the Group compares the risk of default at the balance sheet date with that at the initial recognition date to determine their stage of impairment.

The Group determines whether the credit risk of financial instruments has changed significantly since the initial recognition by setting quantitative and qualitative criteria, such as changes in probability of default by the debtor, changes in credit risk classification and other cases indicating significant changes in credit risk. In determining whether the credit risk of a financial instrument has changed significantly since the initial recognition, if the Group did not deny the assumption that if it is past due for over 30 days, the credit risk is deemed to have increased significantly.

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13 Financial risk management (Cont'd)

2 Credit risk (Cont'd)

(3) Measurement of expected credit losses (Cont'd)

Criteria involved in the judgement of significant changes in credit risk (Cont'd)

Definition of credit-impaired assets

Under the revised accounting standards for financial instruments, in order to determine whether credit impairment occurs, the defined criteria adopted by the Group are consistent with the internal credit risk management objectives for relevant financial instruments, both of which incorporate quantitative and qualitative indicators. When assessing whether a debtor has suffered a credit impairment, the Group usually considers the following factors:

- The contract is more than 90 days past due;
- Internal credit rating is default;
- For economic or contractual reasons relating to the financial difficulties of the debtor, the creditor gives the debtor unusual concessions;
- The debtor encounters significant financial difficulties;
- The debtor is likely to go bankrupt or face other financial restructuring;
- The active market for financial assets disappears;

Financial assets may be credit-impaired due to the joint effect of multiple events rather than separately identifiable events.

Forward-looking information

When determining the 12-month and lifetime exposure at default, probability of default and loss given default, the Group considers forward-looking economic information. Through historical data analysis, the Group identified key macroeconomic indicators that affect the credit risk and expected credit losses of each asset portfolio, and established a macroeconomic forward-looking adjustment model through indicator pool population, data preparation, and forward-looking adjustment modelling. The indicator pool includes the year-on-year rate of change in GDP, the year-on-year rate of change in the CPI, and PMI. The relationship between these economic indicators and exposure at default, probability of default and loss given default is determined based on regression analysis, and exposure at default, probability of default and loss given default are determined in the light of the expected future economic indicators. In 2019, there was no significant change in the valuation method and key assumptions.

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13 Financial risk management (Cont'd)

2 Credit risk (Cont'd)

(3) Measurement of expected credit losses (Cont'd)

Forward-looking information (Cont'd)

In 2019, the Group collected time series data of macroeconomic indicators over the past 10 years from the China Macroeconomic Database published by Wind Info Technology Co., Ltd. The inter-period relationship between economic indicators was analysed; based on simulated randomisation under the Monte Carlo method, prediction function was set up; and combined with the judgement of experts, the different quantile points were selected as the values of different scenarios. In addition to the basic economic scenario, the Group has also considered other possible scenarios and their weight. Based on the analysis of each major product structure, different scenarios were set to ensure that the non-linear development characteristics of the indicators were taken into account. The Group regularly re-evaluates the number of scenarios and their characteristics. In 2019, the Group used statistical analysis to determine the economic scenario weights, and also considered the range of possible outcomes represented by each scenario, and determined the final macroeconomic assumptions and weights to measure the relevant impairment provisions. The impact of these economic indicators on probability of default and loss given default varies between different business types. The Group considers internal and external data, expert forecasts and statistical analysis to determine the relationship between these economic indicators and probability of default and loss given default. The Group evaluates and forecasts these economic indicators at least annually, provides the best future estimates, and regularly tests the results.

Similar to other economic estimates, the forecasted economic indicators and probability of occurrence are inherently highly uncertain. As a result, the actual results may be materially different from the estimates. The Group believes that these forecasts reflect the Group's best estimate of possible outcomes.

Sensitivity analysis

Expected credit losses are sensitive to the parameters used in the model, macroeconomic variables of the forward-looking forecast, weight probabilities in the three scenarios, and other factors considered in the application of expert judgement. Changes in these input parameters, assumptions, models, and judgements will have an impact on the significant increase in credit risk and the measurement of expected credit losses.

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13 Financial risk management (Cont'd)
2 Credit risk (Cont'd)
(3) Measurement of expected credit losses (Cont'd)
Sensitivity analysis (Cont'd)

The following table shows, if Stage-2 financial assets and credit commitments all enter Stage 1 due to significant change in credit risk, what changes will ensue to the impairment provision recognised in the balance sheet:

31 December 2019

Expected credit risk assuming Stage-2 financial assets are all included in Stage 1	3,659,140,648
Total carrying amount of expected credit losses	4,484,551,668
Difference (amount)	825,411,020
Difference (%)	18.41%

Credit exposure

Without considering collateral and other credit enhancements, for on-balance sheet assets, the maximum credit exposures are presented at net carrying amount in the balance sheet.

Refer to Note 7(10) for the details on the industrial concentrations of long-term receivables of the Group.

The following table analyses the credit exposure of financial assets at fair value through profit or loss that are not included in the impairment assessment scope:

	Maximum credit exposure	
	31 December 2019	31 December 2018
Financial assets held for trading		
- Monetary fund	5,358,000,000	300,000,000
- WMPs	2,008,503,136	18,420,667
- Structured deposits	2,000,267,123	-
- Trust investment	122,669,115	142,798,727
Other non-current financial assets		
- Asset-backed special plans	-	4,150,934,650
- WMPs	827,495,148	3,262,345,534
- Non-listed equity investment	731,878,018	18,209,062
- Trust investment	585,578,444	476,255,785
Total	11,634,390,984	8,368,964,425

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13 Financial risk management (Cont'd)

2 Credit risk (Cont'd)

(3) Measurement of expected credit losses (Cont'd)

Collateral and other credit enhancements

The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. Specifications are implemented regarding the acceptability of types of collateral and the valuation parameters. The collateral accepted by the Group is mainly leaseholds and deposits guaranteed by a natural person.

When reviewing the adequacy of loss provisions, the management monitors the market value of collateral and requests additional collateral in accordance with the relevant agreements.

The Group takes an orderly approach to the disposal of pledged assets. The proceeds from disposal are used to settle or reduce the amount that has not been recovered. In general, the Group does not use acquired pledged assets for commercial purposes.

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13 Financial risk management (Cont'd)

2 Credit risk (Cont'd)

The table below shows movements of original carrying amount and impairment provision of the Group's major financial assets in the current year:

Original carrying amount	Stage of impairment	2019						
		Shift in stages						Balance at the end of the year
		Balance at the beginning of the year	Net increase/(decrease) in the current year (Note 1)	Net transfer between Stage 1 and Stage 2	Net transfer between Stage 1 and Stage 3	Net transfer between Stage 2 and Stage 3	Decrease in disposals of subsidiaries	
Long-term receivables	Stage 1	189,962,396,092	35,091,632,843	(3,705,193,649)	(864,888,023)	-	(7,654,872,437)	212,829,074,826
	Stage 2	2,969,495,723	(1,153,331,690)	3,705,193,649	-	(439,712,616)	(3,841,716)	5,077,803,350
	Stage 3	1,772,178,105	-	-	864,888,023	439,712,616	(1,153,884)	2,375,718,094
Long-term receivables Sub-total		194,704,069,920	33,938,301,153	-	-	-	(7,659,868,037)	220,282,596,270

Provision for impairment loss	Stage of impairment	2019						
		Shift in stages						Balance at the end of the year
		Balance at the beginning of the year	Net increase/(decrease) in the current year (Note 1)	Increase in provision (Note 2)	Net transfer between Stage 1 and Stage 2	Net transfer between Stage 1 and Stage 3	Net transfer between Stage 2 and Stage 3	
Long-term receivables	Stage 1	1,714,264,438	686,652,844	92,738,699	(156,311,184)	(49,433,777)	-	2,235,316,062
	Stage 2	526,183,928	(211,287,350)	510,494,273	156,311,184	-	(102,248,099)	878,742,527
	Stage 3	1,081,152,197	-	838,132,076	-	49,433,777	102,248,099	1,370,493,079
Long-term receivables Sub-total		3,321,600,563	475,365,494	1,441,365,048	-	-	-	4,484,551,668

Note 1: Changes resulting from purchase, origination or derecognition other than write-off and disposals of subsidiaries.

Note 2: This item mainly includes changes in probability of default, exposure at default, stage and loss given default caused by regular update of model parameters, and the effect on measurement of expected credit losses exerted by shift in stages.

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13 Financial risk management (Cont'd)
2 Credit risk (Cont'd)

The Group gives internal ratings to financial instruments based on their credit quality and risk characteristics. The credit rating of financial instruments can be further classified into "low risk", "medium risk", "high risk" and "default" according to the internal rating scale. "Low risk" generally indicates that the credit quality is good, there is sufficient evidence that the assets are not expected to suffer any default, or there is no reason to suspect that the assets have been breached; "medium risk" indicates that the assets are generally of good quality, and there may be adverse elements but no sufficient reason is found to suspect that the asset has suffered any default; "high risk" indicates that there is a factor that has a significant adverse effect on the quality of the assets, and there is reason to suspect that the asset has suffered default; the "default" criteria is consistent with that for credit impairment.

The following table provides a concentration analysis of the credit risk exposures of long-term receivables of major financial assets and facility commitments that are included in the expected credit loss assessment. The carrying amount of the following financial assets is the Group's maximum exposure to credit risk for these assets:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit rating				
Low risk	105,867,622,702	-	-	105,867,622,702
Medium risk	104,443,414,118	-	-	104,443,414,118
High risk	2,518,038,006	5,077,803,350	-	7,595,841,356
Default	-	-	2,375,718,094	2,375,718,094
Total carrying amount	<u>212,829,074,826</u>	<u>5,077,803,350</u>	<u>2,375,718,094</u>	<u>220,282,596,270</u>
Provision for impairment loss	<u>2,235,316,062</u>	<u>878,742,527</u>	<u>1,370,493,079</u>	<u>4,484,551,668</u>
Sub-total	<u>210,593,758,764</u>	<u>4,199,060,823</u>	<u>1,005,225,015</u>	<u>215,798,044,602</u>
Off-balance sheet items	<u>3,503,130,664</u>	-	-	<u>3,503,130,664</u>
Total	<u>214,096,889,428</u>	<u>4,199,060,823</u>	<u>1,005,225,015</u>	<u>219,301,175,266</u>

3 Market risk

The Group is exposed to market risk. The risk refers to the risk of losses arising from fluctuation of market interest rate or price.

(1) Market risk measurement approaches

Currently, the Group assesses its interest risk of the trading investment portfolios through sensitivity analysis. That is to say, the Group regularly measures the difference (gap) between the amount of interest-bearing assets and interest-bearing liabilities that will mature or must be re-priced within certain periods through sensitivity analysis, and analyses the sensitivity in response to changes in benchmark rates, market interest rates and exchange rates. The Group establishes periodic reporting system for sensitivity analysis and reports sensitivity analysis results to senior management quarterly.

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13 Financial risk management (Cont'd)
3 Market risk (Cont'd)
(2) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from the recognised assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to US dollars. The Group's finance department at its headquarters is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies to minimise the foreign exchange risk.

In 2019, the Group entered into several forward exchange contracts to hedge against the changes in RMB-equivalent cash flows of liabilities denominated in USD arising from forward exchange rate changes. The hedged items are bank borrowings.

The financial assets and the financial liabilities denominated in foreign currencies, which are held by the Group and the subsidiaries of the Group, whose recording currencies are RMB, are expressed in RMB as at 31 December 2019 and 31 December 2018 as follows:

	31 December 2019		
	USD	Others	Total
Financial assets			
denominated in foreign			
currency -			
Cash at bank and on hand	20,356,655	882	20,357,537
Derivative financial assets	7,164,280	-	7,164,280
	<u>27,520,935</u>	<u>882</u>	<u>27,521,817</u>
Financial liabilities			
denominated in foreign			
currency -			
Short-term and long-term			
borrowings (including			
current portion)	7,244,466,335	-	7,244,466,335
Derivative financial liabilities	28,714	-	28,714
	<u>7,244,495,049</u>	<u>-</u>	<u>7,244,495,049</u>
Net position	<u>(7,216,974,114)</u>	<u>882</u>	<u>(7,216,973,232)</u>

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13 Financial risk management (Cont'd)

3 Market risk (Cont'd)

(2) Foreign exchange risk (Cont'd)

	31 December 2018		
	USD	Others	Total
Financial assets denominated in foreign currency -			
Cash at bank and on hand	3,475,990	863	3,476,853
Derivative financial assets	889,881	-	889,881
Other receivables	51,759,764	3,296,197	55,055,961
Other assets	4,398,451	-	4,398,451
	<u>60,524,086</u>	<u>3,297,060</u>	<u>63,821,146</u>
Financial liabilities denominated in foreign currency -			
Short-term and long-term borrowings (including current portion)	4,985,610,791	316,313,373	5,301,924,164
Derivative financial liabilities	4,114,543	-	4,114,543
Other payables	5,437,875	-	5,437,875
	<u>4,995,163,209</u>	<u>316,313,373</u>	<u>5,311,476,582</u>
Net position	<u>(4,934,639,123)</u>	<u>(313,016,313)</u>	<u>(5,247,655,436)</u>

The financial assets and the financial liabilities denominated in foreign currencies, which are held by the subsidiaries of the Group, whose recording currencies are US dollar, are expressed in RMB as at 31 December 2019 and 31 December 2018 as follows:

	31 December 2019		
	RMB	Others	Total
Financial assets denominated in foreign currency -			
Cash at bank and on hand	5,223,029	480,393	5,703,422
Other receivables	155,424,887	-	155,424,887
	<u>160,647,916</u>	<u>480,393</u>	<u>161,128,309</u>
Financial liabilities denominated in foreign currency -			
Derivative financial liabilities	-	41,136,688	41,136,688
Other payables	49,900	-	49,900
	<u>49,900</u>	<u>41,136,688</u>	<u>41,186,588</u>
Net position	<u>160,598,016</u>	<u>(40,656,295)</u>	<u>119,941,721</u>

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13 Financial risk management (Cont'd)
3 Market risk (Cont'd)
(2) Foreign exchange risk (Cont'd)

	31 December 2018		
	RMB	Others	Total
Financial assets			
denominated in foreign currency -			
Cash at bank and on hand	14,645,665	37,119,343	51,765,008
Other receivables	-	3,977,696	3,977,696
	<u>14,645,665</u>	<u>41,097,039</u>	<u>55,742,704</u>
Financial liabilities			
denominated in foreign currency -			
Short-term and long-term borrowings (including current portion)	-	2,195,543,574	2,195,543,574
Long-term payables (including payables due within one year)	2,000,000	-	2,000,000
Derivative financial liabilities	-	17,728,709	17,728,709
Advances from customers	-	96,665	96,665
Other payables	525,606,460	-	525,606,460
	<u>527,606,460</u>	<u>2,213,368,948</u>	<u>2,740,975,408</u>
Net position	<u>(512,960,795)</u>	<u>(2,172,271,909)</u>	<u>(2,685,232,704)</u>

The Group measures the possible effect of exchange rate changes on net profit through sensitivity analysis. The table below shows the result of sensitivity analysis of financial assets and liabilities on the balance sheet date.

	31 December 2019		31 December 2018	
	Changes in exchange rate		Changes in exchange rate	
Increase/(Decrease) in net profit	-1%	1%	-1%	1%
USD vs. RMB	53,589,283	(53,589,283)	37,009,793	(37,009,793)
Other currencies vs. RMB	(18,641)	18,641	18,639,662	(18,639,662)

The above sensitivity analysis is based on the static exchange rate risk structure of assets and liabilities, and calculates the impact of reasonable possibility of changes in foreign currency against RMB on net profit while all other variables have been held constant. The assumptions for calculations are shown as below: (1) exchange rate sensitivity represents the exchange gain or loss resulting from the 1% change in daily closing exchange rates (middle) on the financial reporting date; (2) exchange rates for all currencies are fluctuating simultaneously and in the same direction; (3) foreign currency position includes spot exchange position and forward exchange position. Due to these assumptions, the actual exchange gain or loss may differ from the sensitivity analysis result.

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13 Financial risk management (Cont'd)

3 Market risk (Cont'd)

(3) Interest rate risk

Cash flow interest rate risk refers to the possibility that the cash flows of the Group's financial instrument fluctuates due to changes in the market interest rate. Fair value interest rate risk refers to the possibility that the fair value of the Group's financial instruments fluctuates due to changes in the market interest rate. The Group's interest rate risk mainly arises from interest rate re-pricing and maturity mismatching of assets and liabilities, and the fluctuation of market interest rate. The Group exercises regular monitoring on the repricing period gap of interest rate-sensitive assets and liabilities to manage interest rate risk.

Interest margins may increase as a result of the fluctuation of the market interest rate, but may reduce or create losses in the event that unexpected movements arise. The Group operates its business predominantly in mainland China under the interest rate scheme regulated by PBOC. PBOC has historically adjusted its benchmark interest rates for interest-bearing loans and deposits in the same direction (though not necessarily by the same magnitude).

For the Group, long-term interest-earning assets with contract expiry date over one year are mainly long-term receivables, and long-term interest-bearing liabilities with contract expiry date over one year are mainly bank borrowings and bonds payable. Interest rate of finance leasing assets rather than that agreed by both parties through negotiation are based on the benchmark interest rate regulated by the PBOC, and vary as the benchmark interest rate is adjusted by the PBOC, if any. Long-term interest-bearing liabilities with contract expiry date over one year are mainly long-term borrowings, and for the majority of them, floating interest rate is used to minimise interest rate sensitive gap and mitigate interest rate risk. Other long-term borrowings at fixed interest rates may expose the Group to fair value interest rate risk. The Group regularly monitors re-pricing maturity gap for interest rate sensitive assets and liabilities, and may use financial instruments such as interest rate swap where necessary to hedge interest rate risks.

The Group uses interest rate swaps to hedge against exposures to cash flow variability primarily from interest rate risks. The hedged items include bank borrowings.

The table below summarises the Group's interest rate risks. The table presents the Group's financial interest-earning assets and interest-bearing liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

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13	Financial risk management (Cont'd)								
3	Market risk (Cont'd)								
(3)	Interest rate risk (Cont'd)								
	31 December 2019	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total		
	Financial assets								
	Cash at bank and on hand	9,533,092,203	796,749,630	51,433,899	-	-	10,381,275,732		
	Accounts receivable	-	-	-	-	26,781,952	26,781,952		
	Notes receivable	-	-	-	-	795,118,981	795,118,981		
	Financial assets held for trading	2,000,267,123	2,131,172,251	-	-	5,358,000,000	9,489,439,374		
	Other non-current financial assets	-	-	585,578,444	327,495,148	1,231,878,018	2,144,951,610		
	Derivative financial assets	-	-	-	-	108,107,897	108,107,897		
	Long-term receivables (including receivables due within one year)	174,989,300,489	16,695,441,160	23,468,455,343	644,847,610	-	215,798,044,602		
	Other financial assets	-	4,413,244,874	-	-	785,999,287	5,199,244,161		
	Total financial assets	186,522,659,815	24,036,607,915	24,105,467,686	972,342,758	8,305,886,135	243,942,964,309		

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13 Financial risk management (Cont'd)

3 Market risk (Cont'd)

(3) Interest rate risk (Cont'd)

31 December 2019	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Financial liabilities						
Short-term and long-term borrowings (including current portion)	15,931,634,427	42,008,676,870	38,009,535,760	6,500,000,000	-	102,449,847,057
Notes payable	-	-	-	-	3,802,420,287	3,802,420,287
Accounts payable	-	-	-	-	467,940,543	467,940,543
Derivative financial liabilities	-	-	-	-	121,043,253	121,043,253
Bonds payable	7,995,398,092	14,490,000,000	44,168,000,000	-	-	66,653,398,092
Long-term payables (including payables due within one year)	5,458,547	8,704,322	51,076,209	12,769,052	24,292,651,656	24,370,659,786
Other financial liabilities	-	-	-	-	11,183,373,312	11,183,373,312
Total financial liabilities	23,932,491,066	56,507,381,192	82,228,611,969	6,512,769,052	39,867,429,051	209,048,682,330
Total interest rate sensitivity gap	162,590,168,749	(32,470,773,277)	(58,123,144,283)	(5,540,426,294)	(31,561,542,916)	34,894,281,979

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13 Financial risk management (Cont'd)

3 Market risk (Cont'd)

(3) Interest rate risk (Cont'd)

31 December 2018	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Financial assets						
Cash at bank and on hand	19,273,888,160	648,073,552	430,854,275	-	22,320,920	20,375,136,907
Notes receivable	-	-	-	-	750,675,109	750,675,109
Accounts receivable	-	-	-	-	3,670,097	3,670,097
Financial assets held for trading	-	161,219,394	-	-	300,000,000	461,219,394
Other non-current financial assets	-	-	634,025,434	174,500,116	7,099,219,481	7,907,745,031
Derivative financial assets	-	-	-	-	121,455,857	121,455,857
Long-term receivables (including receivables due within one year)	139,064,667,536	14,159,705,004	34,258,689,161	2,404,875,281	1,494,532,375	191,382,469,357
Other financial assets	-	-	-	-	1,178,524,335	1,178,524,335
Total financial assets	158,338,555,696	14,968,997,950	35,323,568,870	2,579,375,397	10,970,398,174	222,180,896,087

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13 Financial risk management (Cont'd)

3 Market risk (Cont'd)

(3) Interest rate risk (Cont'd)

31 December 2018	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Financial liabilities						
Short-term and long-term borrowings (including current portion)	14,499,096,483	36,033,286,849	47,026,924,348	4,710,243,782	466,493,008	102,736,044,470
Notes payable	-	-	-	-	5,016,174,123	5,016,174,123
Accounts payable	-	-	-	-	410,938,658	410,938,658
Derivative financial liabilities	-	-	-	-	42,318,559	42,318,559
Bonds payable	1,524,725,420	20,295,253,699	37,651,226,154	-	202,494	59,471,407,767
Long-term payables (including payables due within one year)	-	-	-	-	-	-
Other financial liabilities	-	-	-	-	23,515,333,800	23,515,333,800
Total financial liabilities	16,023,821,903	56,328,540,548	84,678,150,502	4,710,243,782	33,791,623,031	195,532,379,766
Total interest rate sensitivity gap	142,314,733,793	(41,359,542,598)	(49,354,581,632)	(2,130,868,385)	(22,821,224,857)	26,648,516,321

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13 Financial risk management (Cont'd)
3 Market risk (Cont'd)
(3) Interest rate risk (Cont'd)

The table below illustrates the potential impact of the yield curve shifting by 100 basis points on 31 December 2018 and 31 December 2019 on the net profit of the Group in the next year:

	2019	2018
Upward parallel shift of 100 bps for yield curves	975,673,933	823,527,249
Downward parallel shift of 100 bps for yield curves	(975,673,933)	(823,527,249)

When conducting the sensitivity analysis, the Group makes the following general assumptions in determining business conditions and financial parameters.

- a. business changes post balance sheet date not considered with analysis based on static exposure at the balance sheet date;
- b. interest rate fluctuations of different interest-bearing assets and interest-bearing liabilities are the same;
- c. all assets and liabilities are re-priced during the middle of relevant time buckets;
- d. the impact from interest rate changes on customer behaviour not considered;
- e. the impact from interest rate changes on market price not considered;
- f. the impact from interest rate changes on off-balance sheet items not considered;
- g. necessary measures taken by the Group in response to interest rate changes not considered.

Due to these constraints listed above, differences may exist between result of sensitivity analysis and actual changes in net profit of the Group caused by changes in interest rate.

4 Liquidity risk

Liquidity risk refers to the risk that the Group is unable to meet the obligation to settle its due liabilities or meet the immediate demand of capital. Based on the Group's business features, its liquidity risk management comprises:

- Managing daily cash position by monitoring future cash flows;
- Monitoring assets liquidity ratios to meet the internal and regulatory requirements;
- Managing the maturities of liabilities; and
- Establishing liquidity contingent plan with banks.

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13 Financial risk management (Cont'd)

4 Liquidity risk (Cont'd)

The table below illustrates the undiscounted cash flows of the Group's non-derivative financial liabilities and assets by remaining contractual maturities at the balance sheet date. Undiscounted amounts presented in below table refer to cash flow under contracts. The Group manages liquidity risk by estimating the future cash flows.

(i) Cash flows of non-derivative financial assets and liabilities

31 December 2019	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	On demand	Total
Non-derivative financial assets						
Cash at bank and on hand	586,311,144	796,749,630	51,433,899	-	8,946,781,059	10,381,275,732
Notes receivable	188,497,238	606,621,743	-	-	-	795,118,981
Accounts receivable	26,781,952	-	-	-	-	26,781,952
Financial assets held for trading	2,004,701,387	2,818,239,939	-	-	5,358,000,000	10,180,941,326
Other non-current financial assets	-	-	699,564,548	1,560,722,725	-	2,260,287,273
Other financial assets	69,528	5,070,452,459	73,532,221	-	6,502,114	5,150,556,322
Long-term receivables (including receivables due within one year)	26,862,999,596	75,470,408,793	131,562,112,165	4,584,208,762	2,355,339,216	240,835,068,532
Total financial assets	29,669,360,845	84,762,472,564	132,386,642,833	6,144,931,487	16,666,622,389	269,630,030,118

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13 Financial risk management (Cont'd)

4 Liquidity risk (Cont'd)

(i) Cash flows of non-derivative financial assets and liabilities (Cont'd)

31 December 2019	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	On demand	Total
Short-term and long-term borrowings (including current portion)	16,777,433,511	44,531,415,908	49,357,889,109	7,218,311,806	-	117,885,050,334
Notes payable	1,015,613,613	2,786,806,674	-	-	-	3,802,420,287
Accounts payable	139,945,849	85,870,600	242,124,094	-	-	467,940,543
Other financial liabilities	-	9,169,221,013	2,014,152,299	-	-	11,183,373,312
Bonds payable	7,338,886,930	15,739,113,148	53,090,948,642	-	-	76,168,948,720
Long-term payables (including payables due within one year)	976,716,016	4,395,806,353	17,435,585,340	1,589,082,139	-	24,397,189,848
Total financial liabilities	26,248,595,919	76,708,233,696	122,140,699,484	8,807,393,945	-	233,904,923,044
Net liquidity	3,420,764,926	8,054,238,868	10,245,943,349	(2,662,462,458)	16,666,622,389	35,725,107,074

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13 Financial risk management (Cont'd)

4 Liquidity risk (Cont'd)

(i) Cash flows of non-derivative financial assets and liabilities (Cont'd)

31 December 2018	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	On demand	Total
Non-derivative financial assets						
Cash at bank and on hand	1,102,539,652	648,073,552	430,854,275	-	18,193,669,428	20,375,136,907
Accounts receivable	3,670,097	-	-	-	-	3,670,097
Notes receivable	126,449,907	624,105,672	-	-	119,530	750,675,109
Financial assets held for trading	-	161,219,394	-	-	300,000,000	461,219,394
Other non-current financial assets	-	-	7,715,035,853	192,709,178	-	7,907,745,031
Other financial assets	-	-	109,093,621	-	1,069,430,714	1,178,524,335
Long-term receivables (including receivables due within one year)	22,390,625,894	52,797,474,231	129,343,248,862	9,829,000,980	-	214,360,349,967
Total financial assets	23,623,285,550	54,230,872,849	137,598,232,611	10,021,710,158	19,563,219,672	245,037,320,840

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13 Financial risk management (Cont'd)

4 Liquidity risk (Cont'd)

(i) Cash flows of non-derivative financial assets and liabilities (Cont'd)

31 December 2018	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	On demand	Total
Short-term and long-term borrowings (including current portion)	15,712,917,424	38,530,698,286	51,914,423,977	4,960,234,211	-	111,118,273,898
Notes payable	2,223,399,020	2,792,775,103	-	-	-	5,016,174,123
Accounts payable	410,938,658	-	-	-	-	410,938,658
Other financial liabilities	-	-	109,093,621	-	4,231,068,768	4,340,162,389
Bonds payable	1,858,246,575	22,438,073,496	39,966,490,208	-	-	64,262,810,279
Long-term payables (including payables due within one year)	457,101,121	3,191,872,608	18,659,581,731	1,206,778,340	-	23,515,333,800
Total financial liabilities	20,662,602,798	66,953,419,493	110,649,589,537	6,167,012,551	4,231,068,768	208,663,693,147
Net liquidity	2,960,682,752	(12,722,546,644)	26,948,643,074	3,854,697,607	15,332,150,904	36,373,627,693

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13 Financial risk management (Cont'd)

4 Liquidity risk (Cont'd)

(ii) Analysis on cash flows of derivative financial instruments

Derivative financial instruments held by the Group at the end of the year that will be settled on a net and gross basis mainly include interest swap contracts and forward exchange contracts. The table below analyses the Group's derivative financial instruments that will be settled on a net and gross basis at the end of the year into relevant maturity groupings on the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

31 December 2019	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Derivative financial instruments settled on a net basis	-	(7,296,762)	60,666,626	(85,059,847)	-	(31,689,983)
Derivative financial instruments settled on a gross basis						
Including: Cash inflows	13,070,469		917,683,598	1,555,351,094		2,486,105,161
Cash outflows	(16,758,179)	-	(953,958,017)	(1,562,245,509)	-	(2,532,961,705)
	(3,687,710)	(7,296,762)	24,392,207	(91,954,262)	-	(78,546,527)
31 December 2018	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Derivative financial instruments settled on a net basis	(1,208,168)	50,994,087	3,607,966	(21,682,435)	47,425,848	79,137,298
Derivative financial instruments settled on a gross basis						
Including: Cash inflows	-	-	-	-	-	-
Cash outflows	(1,208,168)	50,994,087	3,607,966	(21,682,435)	47,425,848	79,137,298

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13 Financial risk management (Cont'd)

4 Liquidity risk (Cont'd)

(iii) Analysis on cash flows of facility commitments

As at the balance sheet date, the Group's facility commitments provided to external parties were analysed by contract expiry date below:

	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2019						
Facility commitments	300,000	389,129,930	3,083,700,734	30,000,000	-	3,503,130,664
31 December 2018						
Facility commitments	87,238,861	3,895,526,770	7,038,933,331	-	-	11,021,698,962

Management expects that not all of the commitments will be drawn before expiry of the commitments.

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13 Financial risk management (Cont'd)

5 Fair value of financial instruments

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

(1) Financial instruments not measured at fair value

Financial assets and liabilities not measured at fair value in the balance sheet mainly include cash at bank and on hand, other receivables, long-term receivables, short-term borrowings, bonds payable, other payables, long-term borrowings, long-term payables, etc.

Fair value estimation is made based on the relevant market information and information related to various financial instruments at a specific time. Estimations on the fair value of various financial instruments are based on the following methods and assumptions:

(a) Cash at bank and on hand, other receivables, short-term borrowings, bonds payable, and other payables

Since above-mentioned financial assets and liabilities are either due within one year or with floating rate, their carrying amount is an approximation to their fair value.

(b) Long-term receivables

The balance of long-term receivables is determined using effective interest method. As the effective interest rate is based on and will be adjusted in accordance with benchmark interest rate set by PBOC, the carrying amount is an approximation to the fair value.

(c) Long-term borrowings

As at 31 December 2019 and 31 December 2018, most of the long-term borrowings held by the Company used floating interest rates, and the market interest rate did not change significantly, so that their carrying amount was close to fair value.

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13 Financial risk management (Cont'd)
5 Fair value of financial instruments (Cont'd)
(2) Assets measured at fair value on a recurring basis

The financial assets and liabilities measured at fair value are analysed by the above three levels below:

31 December 2019	Level 1	Level 2	Level 3	Total
Financial assets held for trading	5,358,000,000	4,717,017,818	1,559,373,166	11,634,390,984
Derivative financial assets	-	108,107,897	-	108,107,897
Total financial assets	5,358,000,000	4,825,125,715	1,559,373,166	11,742,498,881
Derivative financial liabilities	-	121,043,253	-	121,043,253
Total financial liabilities	-	121,043,253	-	121,043,253
31 December 2018	Level 1	Level 2	Level 3	Total
Financial assets held for trading	-	4,864,553,393	3,504,411,032	8,368,964,425
Derivative financial assets	-	121,455,857	-	121,455,857
Total financial assets	-	4,986,009,250	3,504,411,032	8,490,420,282
Derivative financial liabilities	-	42,318,559	-	42,318,559
Total financial liabilities	-	42,318,559	-	42,318,559

The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. Valuation technique mainly includes: reference to the price used in last market trading, reference to the current fair value of other similar financial assets in substance, and discounted cash flow model etc. Inputs to valuation techniques include prepayment rates, rates of estimated credit losses, and interest rates or discount rates.

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13 Financial risk management (Cont'd)

5 Fair value of financial instruments (Cont'd)

(2) Assets measured at fair value on a recurring basis (Cont'd)

(i) Changes in Level 3 financial assets are analysed below:

2019

Financial assets held for trading

Balance at the beginning of the year	3,504,411,032
Purchases	1,352,289,293
Sales	(140,000)
Settlement	(3,448,045,406)
Transfer into Level 3	144,645,050
Gains or losses recognised in profit or loss	6,213,197
Balance at the end of the year	<u>1,559,373,166</u>

2018

Financial assets held for trading

Balance at the beginning of the year	-
Changes in accounting policies	2,417,978,814
Purchases	2,066,003,823
Sales	(426,582,947)
Settlement	(885,563,222)
Transfer into Level 3	256,180,132
Gains or losses recognised in profit or loss	76,394,432
Balance at the end of the year	<u>3,504,411,032</u>

(ii) Level 3 financial instruments at the end of the year recognised in profit or loss for the current year are presented as follows:

	2019		
	Realised income	Unrealised income	Total
Financial assets held for trading	<u>978</u>	<u>6,213,197</u>	<u>6,214,175</u>

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13 Financial risk management (Cont'd)

5 Fair value of financial instruments (Cont'd)

(2) Assets measured at fair value on a recurring basis (Cont'd)

(ii) Level 3 financial instruments at the end of the year recognised in profit or loss for the current year are presented as follows (Cont'd):

		2018	
	Realised income	Unrealised income	Total
Financial assets held for trading	96,283,041	76,394,432	172,677,473

The Group did not have such reclassification between Level 1 and Level 2 for the years ended 31 December 2019 and 31 December 2018.

14 Capital management

The Group's capital requirements are primarily dependent on the scale and the type of business that it undertakes, as well as the industry and geographic location in which it operates. The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and to maintain healthy capital ratios in order to support its business and to maximise shareholders' value.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, refund capital to shareholders, issue new shares or sell assets to reduce debts.

The Group manages its capital requirements by assessing shortfalls, if any, between the reported and the required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in economic conditions and risk of the Group's activities.

As at 31 December 2019 and 31 December 2018, the Group's gearing ratio was as follows:

	31 December 2019	31 December 2018
Gearing ratio	85.22%	87.54%

15 Comparative figures

As at 31 December 2019, items in the company and consolidated balance sheets were spilt and presented by liquidity. Meanwhile, comparative figures were restated to conform to this year's presentation.

ISSUER

Ping An International Financial Leasing Co., Ltd.
37/F, Shanghai IFC I, 8
Century Avenue
Pudong, Shanghai
China

TRUSTEE

The Bank of New York Mellon, London Branch
One Canada Square
London, E14 5AL
United Kingdom

REGISTRAR AND TRANSFER AGENT

The Bank of New York Mellon SA/NV
Dublin Branch
Riverside II
Sir John Rogerson's Quay
Grand Canal Dock
Dublin 2
Ireland

PRINCIPAL PAYING AGENT

The Bank of New York Mellon
London Branch
One Canada Square
London, E14 5AL
United Kingdom

LEGAL ADVISERS

*To the Issuer
as to English law*

Dentons Hong Kong LLP
32nd Floor
Jardine House
Connaught Place
Hong Kong

*To the Issuer
as to PRC law*

Beijing Dentons Law Offices
LLP (Shanghai)
16th Floor, 5 Corporate Avenue
No. 150 Hubin Road
Huangpu District, Shanghai, PRC

*To the Joint Lead Managers and
the Trustee
as to English law*

Linklaters
11th Floor
Alexandra House
Chater Road Central
Hong Kong

*To the Joint Lead Managers
as to PRC law*

Haiwen & Partners
20/F, Fortune Center
5 Dong San Huan, Central Road
Chaoyang District, Beijing, PRC

INDEPENDENT AUDITORS OF THE ISSUER

PricewaterhouseCoopers Zhong Tian LLP
11/F, PricewaterhouseCoopers Center
2 Corporate Avenue, 202 Hu Bin Road
Huangpu District, Shanghai, PRC