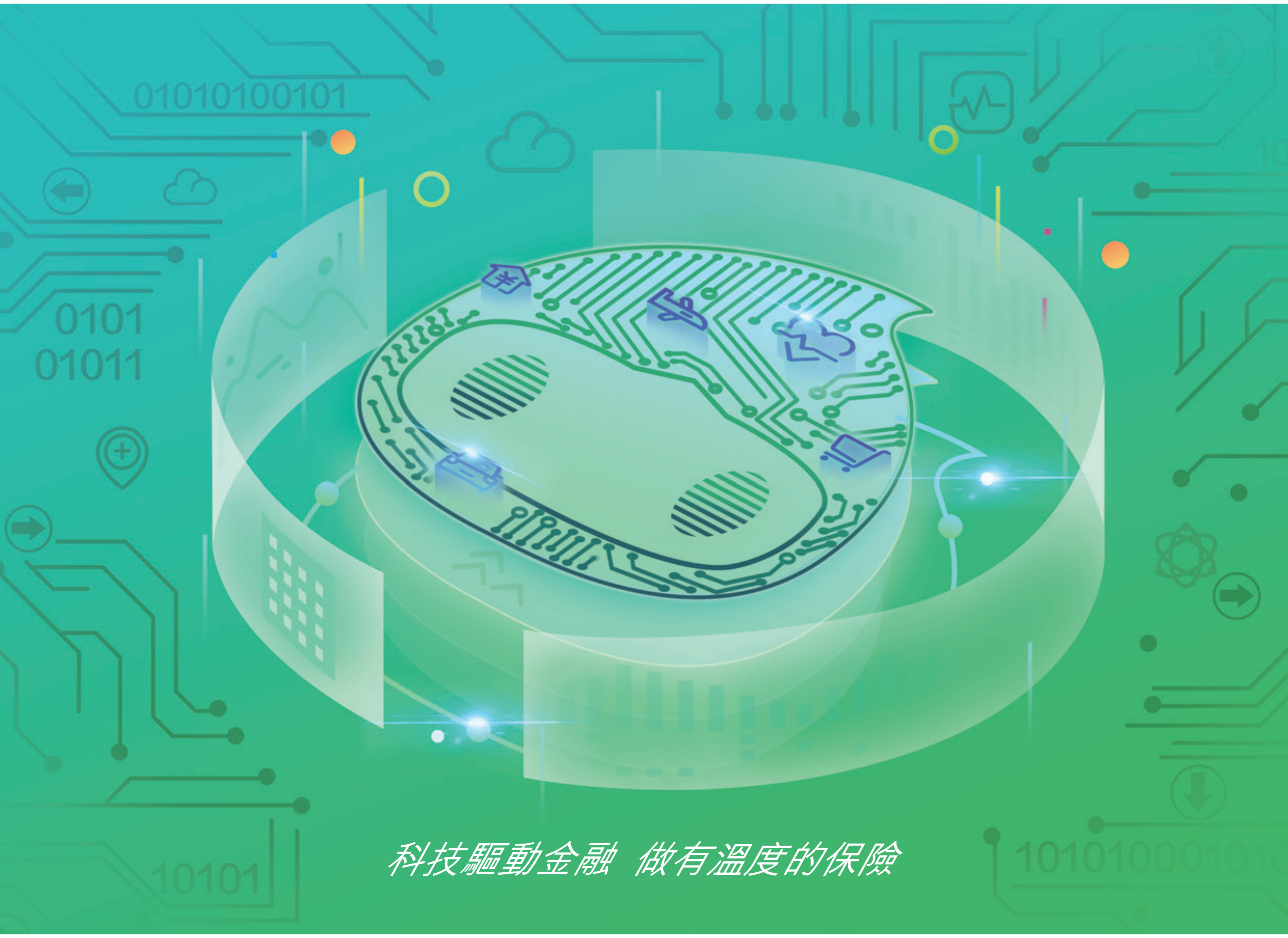
眾安在綫財產保險股份有限公司

ZhongAn Online P & C Insurance Co., Ltd.*

A joint stock limited company incorporated in the People's Republic of China with limited liability and carrying on business in Hong Kong as "ZA Online Fintech P & C"

(Stock Code : 6060)

ANNUAL REPORT 2019



众安保险
ZhongAn Insurance

* For identification purposes only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Contents

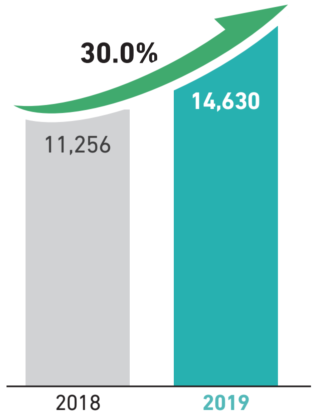
Five-Year Financial Summary

	CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (RMB'000)				
	Y2019 *per audit*	Y2018 *per audit*	Y2017 *per audit*	Y2016 *per audit*	Y2015 *per audit*
Gross written premiums	14,629,589	11,255,718	5,954,475	3,408,048	2,283,042
Net profit/(loss) for the year	(638,645)	(1,796,718)	(996,356)	9,372	44,257
Net profit/(loss) attributable to owners of the Company	(454,101)	(1,743,895)	(997,250)	9,372	44,257
Basic earnings/(loss) per share (in RMB)	(0.31)	(1.19)	(0.77)	0.01	0.04
Total assets	30,907,575	26,341,096	21,149,492	9,332,223	8,069,143
Total liabilities	14,402,044	9,866,423	3,878,796	2,473,251	1,170,825
Total equity	16,505,531	16,474,673	17,270,696	6,858,972	6,898,318
Equity attributable to equity owners of the Company	14,911,655	15,432,039	17,126,913	6,858,972	6,898,318
Combined ratio (%)	113.3%	120.9%	133.1%	104.7%	126.6%
Net investment yield (%)	4.8%	4.2%	3.8%	3.6%	3.5%
Total investment yield (%)	9.3%	2.6%	7.7%	1.8%	12.6%
Comprehensive solvency margin ratio (%)	502%	600%	1,178%	722%	1,620%

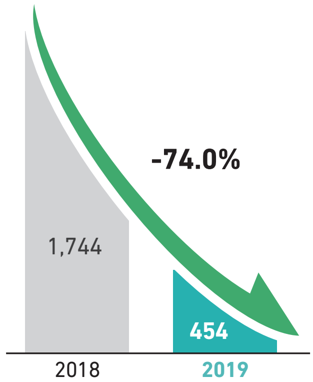
Results Summary

Overall Operating Results

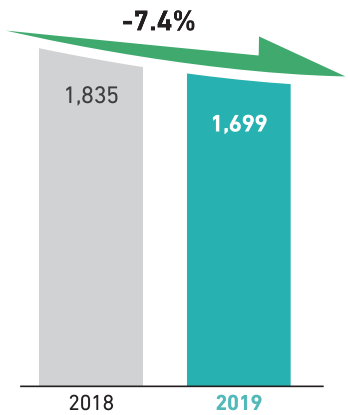
Gross written premiums
(RMB million)



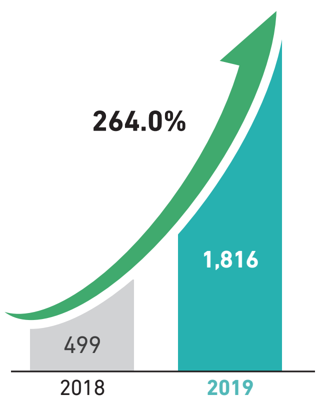
Net loss attributable to owners of the Company
(RMB million)



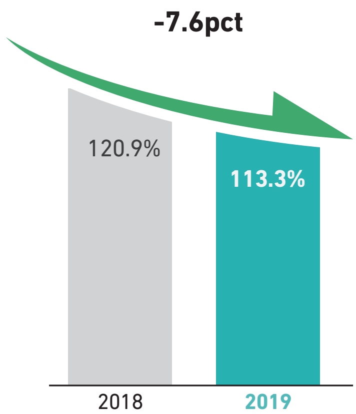
Underwriting loss
(RMB million)



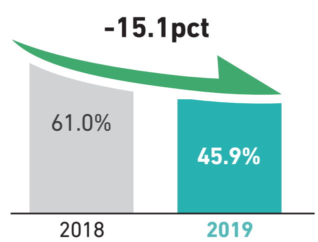
Total investment income[1]
(RMB million)



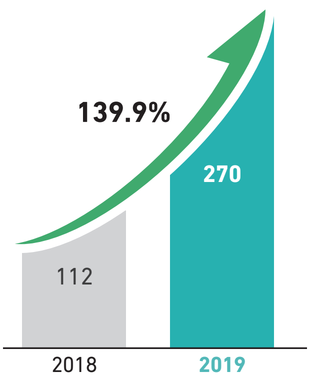
Combined ratio%



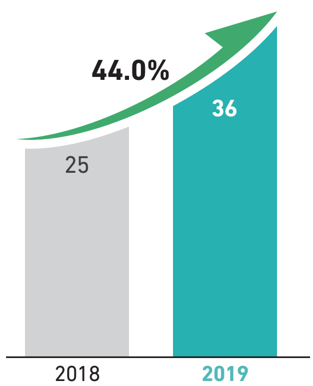
Expense ratio%



Revenue from technology export
(RMB million)



Number of insurance industry customers of insurance system products



(1) Total investment income is defined as the sum of net investment income, net fair value changes through profit or loss and share of net profit of associates and joint ventures less interest expense relating to securities sold under agreements to repurchase and impairment relating to investment assets.

Business Highlights

Pursuing growth with quality

- We ranked **11th** in the PRC property and casualty insurance market and remained **1st** in the PRC internet non-auto property and casualty insurance market in terms of GWP in 2019
- We recorded RMB14,629.6 million in total GWP which represented a year-on-year increase of **30.0%** and a year-on-year improvement of **7.6%** in the combined ratio
- We served **486 million** users and underwrote **8,040 million** policies
- We enhanced education on users' insurance awareness and released the potential of the mid-end health insurance market, recording a year-on-year increase of **146.4%** in GWP generated from the Personal Clinic Policy Series, the core product of the health ecosystem business
- We enhanced strategic cooperation with Ant Financial and other ecosystem partners to actively explore product innovation and upgrade, achieving a year-on-year growth of **130.8%** in GWP from the lifestyle consumption ecosystem business

Providing targeted services through new scenario channels

- We actively explored new online scenarios, leading to a growth of **5.0 times** in the business volume of our proprietary platforms as compared with last year
- Due to new growth drivers brought by new scenarios, GWP generated through our proprietary platforms exceeded the mark of **RMB1 billion**, of which GWP generated from the Personal Clinic Policy Series was **7.6 times** of that recorded for last year

Promoting digital transformation of insurance ecosystem around the world

- We exported Insuretech to both the domestic and overseas markets and recorded a revenue of RMB269.7 million from technology export, representing a year-on-year growth of **139.9%**
- We provided system products to **36** customers in the insurance industry
- We cooperated with Sompo, Income and Grab to provide users with customized and usage-based insurance products, with over **5 million** policies underwritten by the ecosystem business of Grab
- The virtual bank launched its trial pilot in December 2019 and adopts a **"user participation"** mode in designing banking products

Promoting refined operation with the application of technology

Provide more intelligent services

- We launched the intelligent video claim settlement service for auto insurance by integrating the optical character recognition (OCR) and AI loss assessment technology, reducing the average time for claim settlement to **11 minutes**
- Nova Technology connected with the systems of **1,100** hospitals, providing users with expeditious claim settlement

Simplify business process

- The automatic adjustment ratio of our health insurance exceeded **90%**
- The proportion of AI application for online customer service reached **85%**
- The automatic testing rate for core application reached **80%**

Provide customized products based on user profiles

- We established **534** user labels and implemented algorithm-based guidance, with the repeated purchases rate of the Personal Clinic Policy Series through our proprietary platforms reaching **15%** (excluding renewal rate)

Create a closed-loop of ecosystems

- The Internet hospital was launched in December 2019, with an aim to create a **closed-loop of ecosystems** and provide users with one-stop services

Message from the Chairman and CEO

Message from Chairman

As a company featuring Fintech as core to its competitiveness, ZhongAn continued to stick to its two-winged strategy of "Insurance + Technology" during the year where it drove growth of its insurance business with technology while testing its technology strength in the operation of its insurance business, and has achieved steady growth in GWP and business operation.

Yaping Ou
Chairman

Dear Shareholders,

Over the past year, we witnessed the in-depth interaction and integration between technology and various sectors of the PRC economy, ushering in a new cycle of profound industry reform where the driving force behind industry development and reform has shifted from external pressure to endogenous powers. As a company featuring Fintech as core to its competitiveness, ZhongAn continued to stick to its two-winged strategy of "Insurance + Technology" during the year where it drove growth of its insurance business with technology while testing its technology strength in the operation of its insurance business, and has achieved steady growth in GWP and business operation. In particular, through serious consideration and active exploration over the past year, ZhongAn continued to expedite the implementation of its internationalization strategy and developed a new "Belt and Road" route of Fintech services in Hong Kong, Japan and Southeast Asia, accelerating and expanding its leading advantage in Fintech in the world.

Building on its current achievements and seizing opportunities arising in the new era, ZhongAn is committed to pursuing and exploring the "new insurance" value brought by new technologies, customer groups, growth drivers, market demands and product lines. Amid the outbreak of the COVID-19 epidemic, we took advantage of our "online business" to effectively diversify social risks. We provided our customers with inclusive insurance products as a way to show them our utmost respect. As to the extension of our presence across all ecosystems, we strived to expand our business footprint by focusing on universal health, macro finance and comprehensive consumption, in an effort to create a closed loop of quality insurance services. Looking forward, I hope that all our staff will continue their passion and bravery as pioneers to explore the potential business opportunities, and leverage on our technology strengths to build a brighter future, carving out an unrivalled niche at the forefront of the "new insurance" era. I would like to take this opportunity to express our heart-felt gratitude to our Shareholders, partners and customers for their great and unwavering support as well as their trust in the potential of Fintech and the belief of technology for social good.

Year 2020 is expected to be a memorable year. The unexpected outbreak of COVID-19 in China delivered a heavy blow to the social and economic development, while to a certain extent it provided good development opportunities for the digital transformation of the insurance industry. Facing the epidemic, we will continue our keen observation and leverage on our advantages to continuously enhance our technology strengths and optimize our online and mobile-based services, with an aim to better serve our customers and make contributions to the society, so as to promote steady social and economic development.

The "new insurance" era marks an era for breakthroughs and growth, essential to which are integration, cooperation and close correlation.

Let's work together to build a brighter future for ZhongAn.

Message from CEO

Since its establishment, ZhongAn has made promoting the integration of technology and insurance its mission, and is always committed to making business innovations. By improving its technology strengths, ZhongAn is dedicated to promoting the digital transformation and the technology improvement of the industry.

Xing Jiang
Chief Executive Officer

In 2019, ZhongAn continued to promote the in-depth integration of technology and insurance, achieving continuous improvement in technology strength, product portfolio and brand recognition.

ZhongAn continued to deliver quality-minded growth in 2019, despite the structural adjustment of the property and casualty insurance industry as well as the slower momentum and intense competition across the industry. Our GWP for the year amounted to RMB14.63 billion, representing a year-on-year growth of 30%. In terms of the absolute value of GWP, we ranked 11th in the PRC property and casualty insurance market, and remained 1st in the PRC Internet non-auto property and casualty insurance market. By leveraging on our technology strength to improve operating efficiency, our combined ratio decreased from 120.9% in 2018 to 113.3% in 2019, down by 7.6 percentage points year-on-year. In 2019, we served 486 million users, with the total number of insurance policies exceeding 8 billion. Upon calculation, one out of six insurance policies across the country was underwritten by ZhongAn. ZhongAn is committed to building an image as a young and progressive brand dedicated to creating sustainable value for its users by leveraging on technology strength.

Since its establishment, ZhongAn has made promoting the integration of technology and insurance its mission, and is always committed to making business innovations. By improving its technology strengths, ZhongAn is dedicated to promoting the digital transformation and the technology improvement of the industry. In 2019, we underwent an overall upgrade of our core insurance system from Wujieshan version 1.0 to 2.0, with an aim to accomplish our goal of achieving a GWP of 100 billion in the future. The proportion of artificial intelligence application to online customer service reached 85%. The automatic testing rate for core application was 80%. Powered by algorithms, we developed 534 user labels, with the repeated purchase rate of the Personal Clinic Policy Series by the users through our proprietary platforms reaching 15% (excluding renewal rate). With the application of video interactive technology, the auto ecosystem launched the "Ma Shang Pei Intelligent Radio Claim Services 2.0 (馬上賠2.0)" which is designed to provide customers with an excellent claim settlement experience, enabling the Company to settle any claim with an amount of less than RMB10,000 in just 11 minutes and 6 seconds on average.

Message from CEO

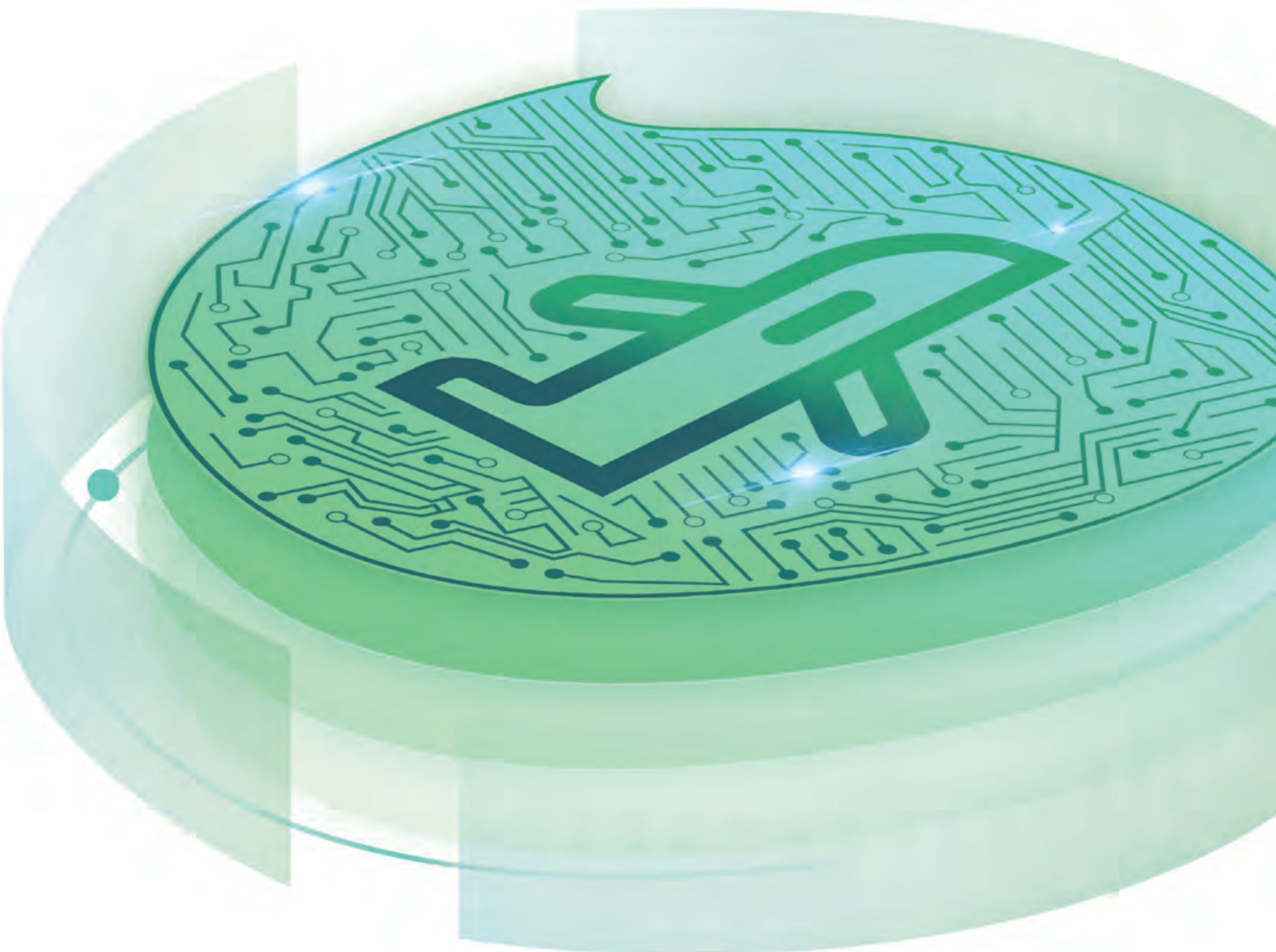
As a pioneer and leader in Insuretech, ZhongAn is dedicated to offering customers with quality products through the application of technology, and has adopted various innovative approaches to effectively reach more customers, so as to provide more inclusive insurance services. The health ecosystem adhered to the strategy of universal health ecosystem with a focus on the Personal Clinic Policy (尊享e生) series, and rolled out 14 releases with whole-new insights on product design based on data technology. We provided access to a health policy with RMB1 million coverage for people suffering from diabetes and hypertension, and launched the optimized Personal Clinic Policy customized for people suffering from thyroid nodules and postoperative patients. We also introduced over 10 customized policy packages, including policy packages designed to provide insurance coverage for medical treatments in Japan, the U.S. and proton heavy ion hospitals. In 2019, we continued to enhance the integration with Ant Financial and the e-commerce ecosystem, and joined hands with them to upgrade Hao Yi Bao 2020 (好醫保2020版). In the lifestyle consumption and other ecosystems, we made great efforts to explore customer needs and provided customers with merchant security deposits insurance, overseas shipping return insurance and pet medical treatment insurance which are applicable to various online purchase scenarios. In addition, we explored new contact-points with various users, and stimulated greater market potential by leveraging on various new scenarios. Leveraging on new scenarios and new contact-points, the total GWP from our proprietary platforms exceeded the milestone of RMB1 billion, among which the GWP from the Personal Clinic Policy Series was 7.6 times that of the corresponding period last year.

While empowering its insurance business with technology, the Company achieved breakthroughs in technology export. In 2019, revenue from technology export by ZhongAn reached RMB269.7 million, representing a year-on-year increase of 139.9%. In 2019, the number of contracted customers was nearly 260, with 73% of existing customers of our insurance system products choosing to renew and upgrade business cooperation in 2019. We launched the insurance middle platform application to help peer insurance companies quickly upgrade their digital operation through shared service without replacing their core systems. In Southeast Asia, we established a joint venture with Grab to jointly develop the first online commercial auto insurance with premium payment on a per-day basis in Malaysia, which recorded 10,000 registered driver users within eight hours of being launched, having assisted Grab ecosystem to underwrite over 5 million insurance policies so far. In addition, we reached a strategic cooperation agreement with NTUC Income, an insurer in Singapore, to promote insurance product innovation and digital transformation through technology export.

While continuing to focus on internal improvement, enhance technology strength, accelerate product innovation and explore various ecosystem scenarios, ZhongAn also continued to expand business coverage and made great efforts to explore and expand new development paths. ZhongAn became one of Hong Kong's first batch applicants to receive a virtual banking license in March, and launched its trial pilot in December, offering customers with a series of new and comprehensive online finance services. After obtaining an Internet hospital license in July, the Company officially launched its Internet hospital in December, which offers a one-stop "online insurance + medical treatment" healthcare service to users by integrating online insurances with Internet hospital related business. Nova Technology, incubated by the Company, has established connections with more than 1,100 hospitals, is committed to creating a closed loop of integrated services for health insurance by leveraging on its leading technology, and has obtained capital contributions of approximately RMB100 million from Sequoia Capital as an angel investment. ZhongAn Microloan obtained capital contributions of RMB210 million from China Telecom BestPay Co., Ltd., which is operated by China Telecom Corp., Ltd., with an aim to further enhance innovation of consumer finance products under the telecom operator scenario.

We are witnessing spectacular technological advancement in our era. The emergence of cloud computing, artificial intelligence, big data, blockchain and other new technologies has affected and redefined the industrial chain of various sectors, promoting the in-depth integration of digital intelligence and internet collaboration. Looking back, ZhongAn has been cooperating with ecosystem partners in various aspects, from exploring service scenarios to connecting service systems to technology export for companies all over the world, promoting digital transformation, business innovation and mutual development. In 2020, with a focus on the new starting point, we will continue to enhance our technology strength, accelerate product innovation and ecosystem integration, improve refined management and stimulate greater market potential, with an aim to create long-term value for our users and Shareholders.

Looking forward into 2020, by staying committed and grateful and shouldering the duties and responsibilities as a pioneer in the Fintech industry, ZhongAn will further explore the in-depth integration of technology and insurance to maximize the synergetic value of various ecosystems, with an aim to accomplish more milestone achievements across the world in the new era of Insuretech.



Corporate Milestone

2013

October 9, 2013

Establishment of the Company

ZhongAn Online P & C Insurance Co., Ltd. was incorporated.

2014

April 2014

Wujieshan

The proprietary technology platform called "Wujieshan" operated by ZhongAn was launched.

2015

June 2015

Series A Financing

ZhongAn completed the pre-IPO investment round with proceeds amounting to RMB5,775 million.

November 2015

Baobiao Auto Insurance

ZhongAn launched Baobiao Auto Insurance based on the co-insurance mode jointly developed with Ping An Insurance.

2016

July 7, 2016

ZhongAn Technology

ZhongAn Information and Technology Services Co., Ltd., a wholly-owned subsidiary of the Company, was incorporated.

June 2017

Innovation Achievement

The Insurance Solution for Mitigating Capital Pressure of Micro E-commerce launched by Zhong Le Bao and Can Ju Xian received the second prize at the 2016 Shanghai Financial Innovation Achievement Award.

September 28, 2017

Listing of H Shares

ZhongAn Online was listed on the Main Board of the Hong Kong Stock Exchange (stock code: 6060).

December 4, 2017

Hong Kong Stock Connect

ZhongAn Online was selected as a constituent stock of the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect.

众安国际
ZhongAn International

December 8, 2017

ZhongAn International

ZhongAn announced to establish a joint venture company – ZhongAn Technologies International Group Limited in Hong Kong, acting as an international development platform for ZhongAn Technology to explore international business development, cooperation and investment opportunities in relation to Fintech and Insuretech businesses in overseas markets.

2017

September 2018

International Technology Export

We assisted Sompo Japan Insurance Inc. ("SOMPO") to approach digital transformation with its next generation cloud-based end-to-end insurance system.

SOMPO INSURANCE

2018

March 2019

Virtual Bank

ZhongAn Bank became one of the first batch of companies who were granted a virtual bank license in Hong Kong. ZhongAn Bank launched its trial pilot on December 18, 2019.

ZA BANK

July 2019

Internet Hospital

The Internet hospital was officially launched in December 2019, which provides users with one-stop services covering online medical advice and doorstep medicine delivery, establishing a closed-loop health ecosystem.

众安互联网医院

2019

Management Discussion and Analysis

Management Discussion and Analysis

Management Discussion and Analysis of Operating Results and Financial Conditions

Staying true to our mission "empowering the finance business with technologies and providing insurance services with a caring hand", and continuing our two-winged growth strategy of "Insurance + Technology", ZhongAn has been committed to redefining the insurance value chain through technology by focusing on the Internet life from the customer end, so as to meet the diversified protection demands of our customers and create value for them. Meanwhile, we proved and upgraded our technology strength in the operation of insurance business, and we aim to enable the Internet insurance industry chain to export Insuretech and to facilitate the digital transformation of industry players across the world.

In 2019, against the backdrop of positive but slower growth in the PRC economy and a complex and changing economic and financial environment, we continued to pursue growth with quality and achieved cost reduction and efficiency improvement with the application of technology. Driven by our health and lifestyle consumption ecosystems, the total GWP for 2019 grew by 30.0%. While taking the initiative to optimize our business structure, we leveraged on our technology strengths and online business operation capability to strengthen user insurance awareness and enhance strategic cooperation with ecosystem partners, and recorded further increase in GWP growth of the Personal Clinic Policy series of the health ecosystem and of the lifestyle consumption ecosystem in the second half of 2019, driving the GWP growth of the Company for the same period up to 43.0%, representing an increase of 28.5 percentage points as compared with the first half of 2019.

In 2019, benefitting from the outstanding performance of the A-share market, our total investment yield was 9.3%, with an investment income of RMB1,815.5 million.

The strategy of focusing on "growth with quality" has started to show positive results. Due to the optimization of our business portfolio and improvement of operation efficiency, the combined ratio improved from 120.9% for 2018 to 113.3% for 2019, representing a year-on-year improvement of 7.6 percentage points, and the underwriting loss for 2019 narrowed to RMB1,698.8 million, representing a year-on-year decrease of RMB136.6 million or 7.4% as compared to the underwriting loss of RMB1,835.4 million for 2018. The net loss attributable to owners of the Company in 2019 decreased significantly to RMB454.1 million (2018: net loss attributable to owners of the Company was RMB1,743.9 million).

With respect to technology export, we continued to focus on the Insuretech segment, and revenue from technology export for 2019 amounted to RMB269.7 million, with nearly 260 contracted customers. Our overseas strategy has started to show positive results. We have entered into cooperation agreements with local leading insurance companies and O2O platforms in Japan as well as Southeast Asian countries, with an aim of supporting their development of innovative digital insurance businesses using our leading Insuretech strengths. In particular, we exported technology strengths to insurance companies such as SOMPO, one of the top three property and casualty insurance companies in Japan, and NTUC Income, the largest comprehensive insurer in Singapore, to help them realize digital transformation. We also collaborated with Grab, a leading O2O platform in Southeast Asia, to establish a digital insurance distribution platform to explore the online insurance distribution business in the region. Furthermore, we joined hands with local insurance companies to launch a number of customized and usage-based online insurance products.

Business Review

Business Overview

As the first Internet-based Insuretech company in China, ZhongAn upheld the mission of "empowering the finance business with technologies and providing insurance services with a caring hand". We embraced the two-winged growth strategy of "Insurance + Technology", and adhered to integrating technologies into the whole insurance value chain. By empowering the insurance value chain with technologies and adopting an ecosystem-oriented approach (i.e. the "B2B2C" model), we empowered the platforms operated by our ecosystem partners through our technology strengths via focusing on the Internet life from the customer end, in order to meet the diversified protection demands of customers and create value for them. Meanwhile, we proved and upgraded our technology strength in the operation of our insurance business, and we aim to enable the Internet insurance industry chain to export Insuretech and to facilitate the digital transformation of industry players across the world.

ZhongAn recorded a total GWP of RMB14,629.6 million in 2019. **Driven by our health and lifestyle consumption ecosystem businesses, total GWP recorded a year-on-year increase of 30.0%, and GWP growth in the second half of the year rallied up to 43.0%**. In terms of total GWP for the year, we ranked 11th in the PRC property and casualty insurance market, and remained 1st in the PRC Internet non-auto property and casualty insurance market. In 2019, we continued to pursue growth with quality, taking the initiative to optimize our business structure, and focusing on businesses that highlight our distinctive advantage with differentiated products by the application of technology which may bring long-term value for both the Company and the users. The driving forces behind our business growth included the following:

1) **We continued to strengthen users' insurance awareness, and provided more inclusive health insurance products through our proprietary platforms and the platform of Alipay Insurance operated by Ant Financial.** Benefitting from our continuous efforts in strengthening users' insurance awareness and improving our brand influence, GWP generated from our core products, namely Personal Clinic Policy (尊享e生) and Healthcare Ecosystem (好醫保) of Alipay Insurance (the "Personal Clinic Policy Series") recorded a year-on-year growth of 48.9% in the first half of the year, which increased to 223.3% in the second half of the year. In 2019, GWP generated from the Personal Clinic Policy Series accounted for 89.7% of total GWP from the health ecosystem business. Driven by the high growth of this business, GWP generated from the health ecosystem business recorded a growth of 67.6%.

   The growth in GWP from the Personal Clinic Policy Series was attributable to our proprietary platforms and the platform of Alipay Insurance.

   Using original promotion materials, our proprietary platforms (including APP, mini programs, official websites for handsets) constantly carried out market education under new scenarios, so as to enhance users' insurance awareness and attract users to purchase insurance products through our proprietary platforms. In particular, the GWP generated from the Personal Clinic Policy Series sold through our proprietary platforms recorded significant increase in 2019 to 7.6 times that of 2018, and the proportion of revenue from our proprietary platforms to total revenue of the Personal Clinic Policy Series increased to approximately 24% (2018: approximately 8%).

   In addition, we provided users with health insurance products that cater to the users' insurance needs and are constantly upgraded and innovated through the platform of Alipay Insurance, which also contributed to the surge in GWP generated from the Personal Clinic Policy Series.

2) **We enhanced strategic cooperation with Ant Financial and our other ecosystem partners to actively explore product innovation and upgrade, leading to a 130.8% GWP growth of the lifestyle consumption ecosystem business.**

Meanwhile, the Company took the initiative to reduce certain businesses, including some travel insurance business with higher channel fee ratio and group health insurance business with higher loss ratio as well as the consumer finance business with increasing overall risks faced by the industry. In particular, as the effect from the reduction of group health insurance business dwindled in the second half of 2019, there was substantial growth in the Personal Clinic Policy Series of the health ecosystem business.

GWP generated from each of the health, consumer finance, lifestyle consumption, auto and travel ecosystems respectively accounted for 33%, 21%, 25%, 9% and 9% of total GWP of the Company for 2019 (2018: 25%, 31%, 14%, 10% and 13%, respectively).

In 2019, we provided services to 486 million insured customers, among which approximately 55% were under the age of 35 with insurance policies per capita of 16.5 and premiums contribution per capita of RMB30.1 (2018: the insurance policies per capita were 15.8 and the premiums contribution per capita were RMB28.0).

Management Discussion and Analysis

In 2019, we strategically increased investments in the development of our proprietary platform business (namely the business that allows users to purchase insurance products directly from ZhongAn via APP, mini programs, public accounts, official websites for handsets and other means and yields premium income) **and achieved substantial progress**. In 2019, the number of paying users reached 1.5 million, and GWP generated from such users amounted to RMB1,114.4 million, with the proportion of GWP contribution to total GWP of the Company increasing to 7.6% (2018: 2.0%).

We continued to carry out market education under new online scenarios, including forwarding advertorials on insurance knowledge, broadcasting of short videos on insurance education and promotion campaign of delay-in-express-delivery insurance on Double Eleven Day, attracting users to register with our proprietary platforms, so as to promote sales of insurance products (in particular the Personal Clinic Policy Series) and provide post-sale value-added services. With the enhancement of our brand recognition and users' insurance awareness, the proprietary platform business achieved rapid growth in 2019, being 5.0 times that of 2018 in terms of business size. In addition, approximately 24% of total GWP generated from the Personal Clinic Policy Series in 2019 was derived from our proprietary platforms (2018: approximately 8%).

In addition to providing insurance products to our users through our proprietary platforms, we also encourage them to obtain one-stop services covering insurance knowledge, health management and post-sale auto services through our proprietary platforms, so as to improve customer experience and enhance customer loyalty. In the future, we will continue to seize market opportunities arising from new scenarios and new platforms by leveraging on our diversified online insurance products and sophisticated online user operation capability, with an aim to improve brand effect and increase premium income from our proprietary platforms. We believe that the expansion of our proprietary platform business will reduce our expense ratio in the long run, especially with the relatively lower renewal expense in the future, which will significantly dilute customer acquisition costs incurred in previous periods.

In 2019, we invested RMB976.9 million in research and development activities, accounting for 6.7% of the Company's GWP. We will apply our technology strengths to every aspect of the business to solve deficiencies in the insurance business processes, so as to provide customers with quality services and convenient experience and also improve operational efficiency of the Company, with an aim to achieve a scaling effect and optimize marketing efficiency.

We facilitated the implementation of an automatic and intelligent business process with the application of technology: The automation rate of our underwriting and claim settlement services reached 99% and 95%, respectively. The application of artificial intelligence helped significantly reduce labor cost of customer service, with the proportion of AI application for online customer service reaching over 85%, resulting in a month-on-month increase of 235% in total volume of online communication while the labor cost remained substantially the same. We cooperated with over 330 ecosystem partners in our ordinary course of business to constantly roll out upgraded products, and the technical staff released over 200 tasks every day, with quick rollout of new products within one to three days upon completion of registration with the regulatory authorities, which was supported by tools independently developed by the Company to quickly define insurance products and the automatic testing modules (the automatic testing rate for core application was 80%).

We offered customers with intelligent and caring services with the application of technology: The "Nova Technology" intelligent commercial insurance platform incubated by the Company has been applied to the health ecosystem, connecting 1,117 hospitals in 28 provinces as of the end of 2019. With authorization from the user, it can achieve direct connection with medical information databases, greatly reducing costs associated with identification of corruption and fraudulent acts and offering the users with expeditious claim settlement service. We launched the video claim settlement service for auto insurance. After an insurance-covered accident, users can take a video of the relevant vehicle according to remote video instructions, and the back office will complete loss assessment and determine the settlement amount through AI technology, which helps to reduce the average claim settlement time to eleven minutes, reducing the labor costs by nearly 37% as compared to that incurred by manual process, thus realizing the goal of "better serving our customers with efficient claim settlement services".

Our Internet hospital was launched at the end of 2019, which operated with third party medical groups to provide users with one-stop services covering online medical advice and doorstep medicine delivery, so as to create a closed-loop health ecosystem. Amid the outbreak of COVID-19 at the beginning of 2020, we not only provided online medical advice services to all users free of charge, and also joined hands with third parties to provide users with charitable psychological aid, which helped to enhance brand reputation among our users.

The launch of our core insurance system "Wujieshan 2.0" facilitated infrastructure upgrade: "Wujieshan 2.0" was launched in 2019, which adopts the concept of digital business middle office for its system structure. Not only that the new version possesses an upgraded structure with greater capacity and performance which can support the business size with GWP of RMB100 billion when compared to "Wujieshan 1.0", it also optimizes the policy portfolio and process, and entirely achieves the microservices-based and containerized management at the level of technical structure, enabling the system to quickly realize automatic capacity expansion and agile iteration upon a sharp surge in business volume, so as to enhance our operation capability.

Targeting marketing strategy based on user profiles and algorithms: On our proprietary platforms, we developed 534 user labels based on various categories of user characteristics. By implementing algorithm-based guidance based on user information such as age, gender, family and purchased products, the repeated purchases rate of the Personal Clinic Policy Series through our proprietary platforms in 2019 was approximately 15% (proportion of users who have made repeated purchases = (other insurance products offered by ZhongAn purchased by policyholders of the Personal Clinic Policy Series with themselves as the insured on our proprietary platforms + the Personal Clinic Policy Series products purchased by such policyholders with their family members as the insured)/the number of policyholders of the Personal Clinic Policy Series on our proprietary platforms);

Over the past six years since our foundation, with our strengths in business innovation, connection with cross-ecosystem partners, big data user profile and risk control, and core systems promoting quick response and agile iteration, we have been able to catch up with market demands, connect with our partners' systems in a flexible manner and provide users with customized insurance coverage products, enabling us to maintain our distinctive competitive edge in the Insuretech segment and achieve sustainable business growth.

Due to our persistent pursuit for growth with quality and the effect of cost reduction and efficiency improvement driven by technology, the combined ratio for the current period improved from 120.9% in 2018 to 113.3%, representing a year-on-year improvement of 7.6 percentage points, and **the underwriting loss for 2019 has narrowed** to RMB1,698.8 million, representing a year-on-year decrease of RMB136.6 million or 7.4% as compared to the underwriting loss of RMB1,835.4 million for 2018.

In 2019, benefitting from the outstanding performance of the A-share market, our total investment yield was 9.3%, with an investment income of RMB1,815.5 million, representing a year-on-year increase of 264.0%. The net loss attributable to owners of the Company significantly decreased to RMB454.1 million in 2019 (2018: net loss attributable to owners of the Company was RMB1,743.9 million).

With respect to technology export, we achieved steady development in 2019 with a substantial amount of projects carried out in markets home and abroad, continuously demonstrating the effectiveness of our technology export mode.

We continued to focus on the Insuretech segment, developing and exporting our advanced experience and technology strengths in the Insuretech business to domestic and overseas customers (including insurance companies and Internet platforms) who intend to expand into the digital insurance sector, so as to facilitate digital transformation throughout the insurance industry. Specifically, we provided standardized and platform-based products and solutions for insurance companies and Internet platforms, joined hands with Internet platforms to develop Internet ecosystem-oriented insurance solutions and developed core digital insurance systems and modules for insurance companies. Our revenue comprised of licensing fees, technology service fees and other charges using a SaaS model (for instance, as per certain proportion of income or usage). Our technology export business will therefore benefit from the growth in the insurance business of our customers, achieving sustainable growth in revenue in line with the long-term interests of our customers.

In 2019, we recorded income from technology export of RMB269.7 million, representing a year-on-year increase of 139.9%, with nearly 260 contracted clients, among which, approximately 73% of our existing insurance system product customers purchased additional insurance system modules from us or upgraded their existing modules in 2019.

Regarding overseas markets, while being positioned as a cutting-edge technology service provider, we also exported or replicated our leading business models to overseas markets, and joined hands with our customers in exploring modes and product innovation in the Internet ecosystem. Following our engagement with SOMPO, one of the top three property and casualty insurance

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companies in Japan, in the second half of 2018, we joined hands with NTUC Income, the largest comprehensive insurer in Singapore, in 2019. We provided insurer clients with the next-generation cloud-based distributed core insurance system to establish a resolution of digital upgrading.

In addition, in January 2019, we entered into a cooperation agreement with Grab, a leading O2O platform in Southeast Asia, pursuant to which both parties have agreed to form a joint venture company to jointly explore the online insurance distribution business in Southeast Asia, and to create an integrated insurance and finance solution. In particular, ZhongAn will establish the digital insurance distribution platform and provide back-office technology support for the joint venture company. Meanwhile, the joint venture company will join hands with insurance partners around the world to provide various customized and usage-based insurance products (such as the usage-based critical illness plan, usage-based auto insurance, and accident insurance for families launched in Singapore and Malaysia, respectively) for tens of millions of users of Grab in Southeast Asia by exporting sophisticated Insuretech solutions and leading business models in China. In 2019, the Grab ecosystem produced over 5 million policies under the support of our insurance and technology strengths.

On March 27, 2019, we became one of the first batch of companies who were granted a "virtual bank" license by the Hong Kong Monetary Authority. As a non-bank applicant, the issuance of a "virtual bank" license represents recognition of our long-term efforts in developing Fintech strengths. We will also apply our insights of customers' behavior pattern gained through big data analysis, identity authentication and other Fintech capability to the virtual bank business. Upholding the concept of "user participation", we encourage our users to communicate closely with our product managers as partners through online and offline interaction and participate in the product designing process, with an aim to improve customer experience and to create products that cater to users' needs. **ZhongAn Bank launched its trial pilot on December 18, 2019 and became the first virtual bank in trial operation in Hong Kong**.

We will continue to reach out to more potential clients in the domestic and overseas markets and export our insurance technologies and proven business models to more countries and regions, so as to become the best partner in the digital transformation of the global insurance industry. In addition, we will increase our investment in research and development in the Insuretech and Fintech sectors.

2019 Financial Highlights

The following table sets forth the profit/(loss) from each business segment for 2019. In particular, the insurance segment offers a wide range of online property and casualty insurance businesses; the technology segment provides information technology export related business to its clients; and the other segments include entities other than the aforesaid segments, such as insurance brokerage, life science and virtual bank. The virtual bank segment will carry out virtual bank business in Hong Kong by integrating Fintech and the banking business, and launched its trial pilot at the end of 2019.

Segment income statement for the year ended December 31, 2019

RMB'000	Insurance	Technology	Others	Eliminations	Total
Gross written premiums	14,633,403	—	—	(3,814)	14,629,589
Net premiums earned	12,806,246	—	—	(4,795)	12,801,451
Other income	63,569	279,529	187,403	(153,670)	376,831
Net profit/(loss)	7,601	(334,347)	(315,940)	4,041	(638,645)
Attributable to:					
– Owners of the Company					(454,101)

Driven by our health and lifestyle consumption ecosystems, total GWP of ZhongAn for 2019 was RMB14,629.6 million, representing a year-on-year increase of 30.0%.

Due to our persistent pursuit for growth with quality and the effect of cost reduction and efficiency improvement driven by technology, the operating indicators of our underwriting business achieved significant improvement. The underwriting loss for 2019 was RMB1,698.8 million, representing a year-on-year decrease of 7.4%. The combined ratio decreased from 120.9% in 2018 to 113.3% in 2019, representing a decrease of 7.6 percentage points. In particular, the expense ratio decreased from 61.0% in 2018 to 45.9% in 2019, down by 15.1 percentage points over 2018, while the loss ratio was 67.4%, up by 7.5 percentage points over 2018.

The decrease in expense ratio was mainly attributable to the improvement in our channel fee ratio due to our continuous efforts in optimizing our business structure, in particular the reduction of the travel ecosystem business with higher channel fee ratio. In addition, leveraging on the technology advantage in the five ecosystems, we strove to create greater value in respect of marketing, products, risk control and services, together with enhancing bargaining power and growing brand awareness to better control the channel fee ratio of each ecosystem, resulting in improvement in the channel fee ratio of all ecosystem businesses in 2019 as compared with that of 2018. In the future, we will further reduce the channel fee ratio by increasing the proportion of premium contribution of our proprietary platforms, so as to create greater long-term value for our users.

The increase in the loss ratio for 2019 as compared with that for 2018 was attributable to the combined effect of several changes in the business portfolio and increase in overall risks faced by the consumer finance industry:

1) the increase in the Company's overall loss ratio as a result of changes in the business portfolio, i.e., a decrease in the proportion of the premiums earned from the travel ecosystem business which has a relatively lower loss ratio and an increase in the proportion of the premiums earned from the lifestyle consumption ecosystem business which has a relatively higher loss ratio; yet the improvement of channel fees as a percentage of net written premiums was offset by the impact of increased loss ratio, leading to optimization of the overall quality of underwriting business;

2) the increase in the loss ratio of the finance ecosystem which recorded a year-on-year increase of 24.7 percentage points due to an increase in overall risks faced by the consumer finance industry amid the downward pressure in the growth of the macro economy in 2019. During 2019, we have remained cautious in developing the consumer finance business, and have reduced the operation scale of the consumer finance business (in particular significantly raising the entry barrier for cooperation with internet finance platforms), so as to manage the default risk due to the slowdown in the macro economy. As at the end of 2019, outstanding loan balance amount in respect of the consumer finance ecosystem recorded a year-on-year decrease of approximately 22% (December 31, 2019: RMB25.6 billion; December 31, 2018: RMB32.8 billion). Regarding risk control, given that the domestic economy remained under downward pressure, we established the strategic anti-cyclical risk management system based on the macro-economic risk alert mechanism by continuing to enhance the integration of the credit cycle of the customer with the external economic cycle. Regarding business development, we continued to focus on the cooperation with Internet scenario platforms to explore various innovative scenario platforms such as the telecommunication scenario (the three major mobile operators) and e-commerce scenario (such as Secoo), in order to optimize risk control model and to control the risks associated with underlying assets as a result of continuous improvement of user profiles and user insights; and

3) the improvement in the loss ratio of the health ecosystem business as a result of our focus on the development of the Personal Clinic Policy Series products which has a lower loss ratio after the reduction of the group health insurance business, which partly offset the impact of the aforesaid increase in the loss ratio.

The Company recorded a net loss attributable to owners of the Company of RMB454.1 million for 2019, representing an improvement of RMB1,289.8 million, which was mainly due to the following factors:

1) Underwriting business: in 2019, the net premiums earned increased by 45.5% year-on-year, and the combined ratio recorded an improvement of 7.6 percentage points, decreasing from 120.9% in 2018 to 113.3% in the 2019. The underwriting loss improved by RMB136.6 million, representing a year-on-year decrease of 7.4%;

2) Investment income: in 2019, benefitting from the outstanding performance of the A-share market, investment income was RMB1,815.5 million, representing a year-on-year increase of RMB1,316.7 million, with total investment yield reaching 9.3% (2018: 2.6%); and

3) Technology export business: in 2019, the technology export business recorded operating revenue of RMB269.7 million, representing a year-on-year increase of 139.9%, and a net loss of RMB334.3 million, representing a year-on-year decrease of 1.7%.

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Five Major Ecosystems

In 2019, we continued to focus on the five major ecosystems to provide comprehensive insurance coverage to our customers:

We had frequent interaction with a large number of users through lifestyle consumption and travel ecosystems to enhance users' trust in the products of ZhongAn, to strengthen market education on online insurance, the users' understanding of our products and willingness to pay and to further enrich user profiles, which enables us to seize business opportunities from cross-ecosystem users and achieve maximum user value. Meanwhile, with the development of our healthcare, consumer finance and auto ecosystems, we have expanded our business into a whole insurance value chain with improved brand recognition among users and increased average premium per capita, so as to create a more balanced and diversified business portfolio. The following table sets forth GWP in absolute amount and as percentages of GWP by ecosystem for 2019 and 2018:

	2019		2018		
Ecosystems	RMB'000	Percentage %	RMB'000	Percentage %	Year-on-year growth rate %
Health	4,806,042	33%	2,868,354	25%	67.6%
Consumer finance	3,090,982	21%	3,520,304	31%	-12.2%
Auto	1,263,719	9%	1,149,173	10%	10.0%
Lifestyle consumption	3,729,375	25%	1,616,090	14%	130.8%
Travel	1,302,490	9%	1,460,423	13%	-10.8%
Others	436,981	3%	641,374	7%	-31.9%
Total	14,629,589	100%	11,255,718	100%	30.0%

The following table sets forth a breakdown of (i) GWP, (ii) net written premiums, defined as gross written premium less premium ceded to reinsurers, (iii) premiums earned, defined as net written premiums less net change in unearned premium reserves, (iv) loss ratio, defined as net claims incurred as a percentage of net premiums earned, and (v) channel fees, defined as handling charges directly related to written premiums as well as commissions, technical service fees and other channel related fees, as percentages of net written premiums, by ecosystem for 2019 and 2018:

	2019	2018
Ecosystems	RMB'000	RMB'000
Health		
GWP	4,806,042	2,868,354
Net written premiums	4,590,176	2,434,182
Premiums earned	3,173,400	1,766,148
Loss ratio%	53.0%	59.0%
Channel fees as a percentage of net written premiums%	20.8%	24.1%

Ecosystems	2019 RMB'000	2018 RMB'000
Consumer finance		
GWP	3,090,982	3,520,304
Net written premiums	3,090,982	3,520,304
Premiums earned	2,888,227	2,565,204
Loss ratio%	97.0%	72.3%
Channel fees as a percentage of net written premiums%	12.0%	18.4%
Auto		
GWP	1,263,719	1,149,173
Net written premiums	1,263,719	1,149,173
Premiums earned	1,298,115	688,337
Loss ratio%	54.7%	58.9%
Channel fees as a percentage of net written premiums%	25.7%	33.2%
Lifestyle consumption		
GWP	3,729,375	1,616,090
Net written premiums	3,729,375	1,614,912
Premiums earned	3,716,289	1,636,556
Loss ratio%	75.5%	74.8%
Channel fees as a percentage of net written premiums%	18.2%	19.6%
Travel		
GWP	1,302,490	1,460,423
Net written premiums	1,294,755	1,447,285
Premiums earned	1,281,605	1,459,778
Loss ratio%	7.1%	9.7%
Channel fees as a percentage of net written premiums%	86.5%	89.2%
Others		
GWP	436,981	641,374
Net written premiums	426,433	627,240
Premiums earned	443,816	684,280
Loss ratio%	119.6%	87.7%
Channel fees as a percentage of net written premiums%	23.7%	43.0%

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Health ecosystem:

We focused on customer demands for health insurance protection by offering accessible, easy-to-understand and affordable insurance solutions and value-added services through the Internet, with our products mainly comprising individual insurance products. The innovative individual insurance product brands we offer, including Personal Clinic Policy (尊享e生), Walk to Wellness Policy (步步保) and Didi Automobile Owner Insurance Plan (滴滴車主保障計劃), have become major products marketed by many ecosystem partners of our health ecosystem business. In particular, taking our mid-end health insurance product, the Personal Clinic Policy series, as an example, we have included a deductible clause in the policy, which enables consumers to enjoy extensive medical insurance coverage at a relatively low premium, mitigating their concern over medical expenses. Furthermore, by constantly upgrading our leading customized services (express channel for critical illnesses, medical treatment in Japan, specific medicine for tumors, etc.) and exploring health insurance products for chronic illness and sub-health customers, we strive to satisfy the various needs of different customers and establish our distinctive advantage with differentiated products.

In 2019, the health ecosystem provided health insurance to approximately 16.7 million users and recorded RMB4,806.0 million in GWP, representing an increase of 67.6% as compared to that of the corresponding period of last year. The increase was attributable to our continuous efforts in enhancing users' insurance awareness and providing users with personalized and customized insurance products by focusing resources in the development of our core products, namely the Personal Clinic Policy Series, and proactively exploring cooperation with innovative Internet platforms (such as Alipay Insurance, iyunbao) and the development of our proprietary platforms (APP, mini program, official website for handsets). The health ecosystem recorded RMB4,311.1 million in GWP generated from the Personal Clinic Policy Series in 2019, representing a year-on-year growth of 146.4% and accounting for 89.7% of total GWP generated from the health ecosystem business. This business segment recorded a year-on-year increase of 223.3% for the second half of 2019, representing a significant increase as compared to the year-on-year increase of 48.9% recorded for the first half of the year.

There were over 11 million insured customers for the Personal Clinic Policy Series products in the current period, representing a year-on-year increase of approximately 177%. As at December 31, 2019, the users of these products were at an average age of about 35 and are mainly from first to third-tier cities.

More importantly, by leveraging on various new scenarios, we continued to enhance users' insurance awareness, so as to drive rapid growth in the transaction volume of our proprietary platforms. GWP derived from our proprietary platforms accounted for approximately 24% of GWP generated from the Personal Clinic Policy Series in 2019 (2018: approximately 8%), with the amount of such GWP being 7.6 times that of 2018.

Other individual health insurance products continued to enhance frequent interaction with users. As of December 31, 2019, through our Walk to Wellness Policy, we have obtained permission to obtain the exercise data of approximately 32 million users. Didi Automobile Owner Insurance Plan and Didi Insurance have also attracted extensive participation of automobile owners from the Didi Chuxing platform. We have so far provided critical illness insurance and medical insurance coverage to over 1.8 million insured users with accumulated insurance policies of approximately 1.7 billion.

On the other hand, we continued to optimize the business structure of the health ecosystem in 2019, such as the reduction of the group health insurance business that produced higher loss ratio, resulting in a significant decrease in the proportion of the group insurance business to the health ecosystem business in 2019. As a result, the loss ratio of the health ecosystem for 2019 was 53.0%, representing a year-on-year decrease of 6.0 percentage points.

The channel fee ratio of the health ecosystem for 2019 was 20.8%, representing a year-on-year decrease of 3.3 percentage points, which was mainly due to the increase in the proportion of GWP generated from the Personal Clinic Policy Series products with monthly premium payment that were marketed through our ecosystem partners.

While driving the growth of the health insurance business, we continued to establish a closed-loop health ecosystem, providing users with one-stop services covering disease prevention, health management, medical services, insurance coverage and expeditious claim settlement services.

Our Internet hospital was officially launched in December 2019. We cooperated with third-party medical groups to provide users with online medical advice services, and have their medicine delivered to their doorstep after completing online diagnosis and obtaining an electronic prescription given by the doctors, allowing the users to receive medical treatment for minor illness without leaving their homes. Amid the outbreak of COVID-19 at the beginning of 2020, we provided online medical advice services to all users free of charge, and also joined hands with third parties to provide users with public welfare psychological aid, which helped to enhance brand reputation among our users. In the future, Internet hospitals will serve as a connector for our healthcare service. Leveraging on the extensive distribution network of our Company and ZhongAn Technology, we will provide customers with closed-loop services from disease prevention and health management to medical services and insurance coverage.

Leveraging on the "Nova Technology" intelligent commercial insurance platform incubated by the Company and with authorization from our customers, we have achieved direct connection with medical information databases. Through consolidation and analysis of such data, our risk management capability in underwriting and claim management of our insurance business has improved, enabling us to provide customers with a more convenient and efficient claim settlement experience. As at December 31, 2019, we have achieved direct connection with the systems of 1,117 hospitals in 28 provinces and with the social medical insurance/regional medical information platforms of 11 provinces and cities.

By continuing to focus on the customized, smart and personalized medical insurance products, the health ecosystem business will strive to meet customers' insurance needs and our technology strengths in the whole insurance value chain will be applied to improve customer experience, risk control capacity and operation efficiency.

Consumer finance ecosystem:

Through cooperation with licensed financial institutions, and by connecting with different kinds of Internet platforms through our cutting-edge technology, risk control, data and other technology strengths, we are committed to providing customers with consumer finance products with credit guarantee, and have developed leading technologies, big data risk control as well as fund and asset matching capacity in the consumer finance ecosystem. We have proactively expanded our cooperation with various Internet scenario platforms, such as Bestpay, Wo Wallet and Cmpay under the telecommunication scenarios and Secoo under the e-commerce scenarios, and have also provided consumer finance solutions to selected leading Internet finance platforms, such as X Financial and Lexin, by way of joint risk control and joint scenario-based operation. The fund lenders that cooperate with us are mainly licensed financial institutions.

In 2019, amid the downward pressure of the macro economy, a more stringent regulatory environment and increasing risks faced by the consumer finance segment, we took the initiative to raise our risk control standards, implement strict control over the performance of the underlying assets and reduce business size, in particular significantly raising the entry barrier for cooperation with online financial platforms. Meanwhile, we continued to explore the online scenario platform business to optimize resource allocation, enrich user profiles and effectively control risks. In 2019, we established cooperation with three major telecommunication operators in the consumer finance segment, including the capital injection by China Telecom BestPay to ZhongAn Microloan (a subsidiary of ZhongAn), so as to jointly explore the innovation of consumer finance under the telecommunication scenario. In addition, we pushed forward the comprehensive strategic cooperation with Secoo, so as to assist these platforms to provide consumer finance products to their users through mining user data and Internet footprints.

We focused on small-size, distributed and short-term Internet consumer finance assets. We set the insurance premium rates based on individual risk profile of the underlying assets and underwrote the risk for the underlying assets with our credit guarantee insurance products. Our risk control penetrated the underlying assets, and we implemented real-time big data risk control on every batch of borrowings by connecting the systems of our cooperated platforms with the financial institutions, thereby enabling us to make a real-time decision to lend. In order to cope with the macro-economic risks, namely the impact of overall slowdown in the economy on the default risk of the borrower, we integrated the external macro-economy alert with in-house credit insurance risk management strategy in a dynamic manner, and applied a wide range of retail finance risk measurement models to provide differentiated credit insurance management strategies for different customer groups based on the characteristics of economic cycle and the stage of customers' life cycle, so as to mitigate the negative impact of fluctuations in the economy on credit risk.

Our key targeted customers of the consumer finance ecosystem are the young near-prime group in China at an average age of 25 to 35 with good education and strong consumption demands, who often suffer when applying for credit facilities due to lack of sufficient historical credit record as a result of shorter working history with stable income. In particular, due to the lack of complete and real-time credit record information, it is difficult for certain traditional financial institutions to carry out credit assessment on these people. Our business mostly provides credit facilities for borrowers who have a credit record with the central bank credit reference system and have had difficulties in increasing credit to meet their financing needs. Through our consumer finance ecosystem, the banks may grant credit facility to those customer groups, which will, to a large extent, improve the compatibility, openness and inclusiveness of the Chinese finance market.

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In 2019, the valid term of the insurance policies for our consumer finance ecosystem was one year or less, and the amount of a single batch of borrowings by the users under the consumer finance ecosystem was less than RMB6,000. Our actual annualized insurance premium rate (as a percentage to the lending amount) was mainly within the range of 6% to 12%.

In 2019, both GWP and the outstanding loan balance amount in respect of the consumer finance ecosystem decreased year-on-year. In 2019, our consumer finance ecosystem recorded RMB3,091.0 million in GWP, representing a decrease of 12.2% as compared with the corresponding period of last year, and provided services to approximately 18 million users. As at December 31, 2019, the outstanding loan balance amount in respect of the consumer finance ecosystem was RMB25.6 billion (as at December 31, 2018: RMB32.8 billion).

The loss ratio of the consumer finance ecosystem for the period was 97.0%, representing a year-on-year increase of 24.7 percentage points, which was attributable to the increase in default risks due to the slowdown in the macro-economy. In making provisions for unearned premium reserves as at December 31, 2019, we took a more prudent manner in light of increased uncertainty. The channel fee ratio of the consumer finance ecosystem for the period was 12.0%, representing a year-on-year decrease of 6.4 percentage points, which was due to the decrease in the marketing expense incurred in acquiring customers as a result of business reduction.

Auto ecosystem:

With the launch of the "Baobiao Auto Insurance" product, we offered professional auto insurance products and solutions as well as value-added services to protect our customers against vehicle damage, personal injury and death, and vehicle theft and robbery. Based on the coinsurance model jointly developed with Ping An P&C which was adopted for the "Baobiao Auto Insurance", we connected with Internet platforms and the automotive aftermarket service channels by leveraging on our own technology strengths to acquire customers, while Ping An P&C leveraged on its extensive offline resources to provide the same quality claim settlement services as those offered to its own customers. Since January 2020, we began to implement the renewed coinsurance agreement with Ping An P&C which has a valid term from January 1, 2020 to December 31, 2022 with the cooperation framework substantially remaining unchanged. The premiums, claim payments and other costs for auto insurance shared between ZhongAn and Ping An P&C will remain on a ratio of 50%:50%.

In 2019, our auto ecosystem recorded a year-on-year growth of 10.0% in GWP to RMB1,263.7 million with approximately 1 million insured users in 2019. Our customers were mainly male clients aged 30 to 40 in second- and third-tier cities. Given the regulatory and competition landscape of the auto insurance market, we adhered to the strategy of steady development in respect of the auto insurance business in 2019 and optimized the underwriting quality of our existing business through refined operation, so as to enhance our profitability. The loss ratio of the auto ecosystem for 2019 was 54.7%, down by 4.2 percentage points on a year-on-year basis, while the channel fee ratio was down by 7.5 percentage points on a year-on-year basis to 25.7%, which was in line with the overall more stringent control over the channel fee ratio in the industry.

Our major ecosystem partners include Internet platforms and automotive aftermarket service channels. Regarding cooperation with Internet platforms, we expanded along the auto ecosystem industrial chain and built up a great quantity of user insights and Internet operating capabilities by continuing to enhance cooperation with all kinds of ecosystem partners, such as new auto-retail platforms like Guazi (瓜子) and Maodou (毛豆) and automobile financial platforms like Cango (燦谷). We also connected with more offline automotive aftermarkets and other channels, such as auto detailing shops and automobile repair shops, through the SaaS platform and APIs, thereby allowing our products to efficiently reach more users without having to invest a large amount of human resources to connect and maintain the channels. In addition, we joined hands with SAIC Motor Corporation Limited and other automobile manufacturers in exploration of auto insurance big data application.

Leveraging on the big data from in-house and external sources and machine learning platforms, we were able to set the price more accurately. We have established a big data alliance with cooperation partners such as insurance companies and Internet of Vehicles, and have collected over 20 million drive tag data. Based on these data, we have achieved in-house and external big data information sharing, machine learning and model iteration by leveraging on the machine learning and scenario application platform "Data Cube (數據魔方)" which was independently developed by the Company. In addition, we tapped on big data to continuously optimize our recommendation system for personalized insurance solutions to improve user conversion rate, resulting in an increase of approximately 10% in the conversion rate of defaulted insurance solutions during the past year.

We continued to increase investments in video claim settlement service for auto insurance in 2019. With the application of various technologies such as the Optical Character Recognition (OCR) and AI damage assessment, video claim settlement services helped to improve customer experience and process efficiency. We consolidated in-house and external technologies and data to streamline the claim settlement process into the combination of one online claim adjuster and one set of AI service. Users of Baobiao Auto Insurance are provided with online one-to-one instructions when they report the case, and the average claim settlement time for any case with the settlement amount of less than RMB10,000 was reduced to eleven minutes, reducing the labor costs by nearly 37% as compared to that incurred by manual process, thus realizing the goal of "better serving our customers with efficient claim settlement services". The process of video claim settlement service is summarized as follows: 1) to assist the automobile owners to complete on-site assessment of the vehicle damage through remote video instruction; 2) to achieve automatic sorting of the photos through AI identification technology and identify the vehicle damage and determine the places of damages by applying the algorithm for photos; 3) to calculate the claim amount automatically based on the photos identified and big data on operation, etc.; 4) to automatically identify the information on the driving license by applying the OCR technology to save the trouble of entering customer service certificates and shorten the time needed for claim settlement. With the extensive rollout of 5G technology in the future, our capability of video claim settlement will make communication via video even smoother and facilitate direct communication without delay and labor costs.

As a cooperation partner of various Internet platforms, our technology advantage lies in quick response and agile iteration by leveraging on cloud architecture and SaaS platform. With the micro-container and micro-service structure, our cloud-based core system is featured with excellent scalability and agile reaction, enabling us to complete the channel launch of new products within one to two days and achieve an average upgrade of over 40 demands every week by the auto ecosystem. As we have achieved 100% online automatic policy underwriting operation for our auto insurance business, a team of four staff is sufficient to handle the quotation and underwriting process for the auto insurance business through cooperation between our intelligent customer service and staff.

Lifestyle consumption ecosystem:

We continued to provide protection to cover risks associated with product return, product quality, logistics, post-sale services and merchant security deposits for main stream e-commerce platforms in China, such as Taobao Marketplace and Tmall, occupying a leading position in the market. In 2019, the lifestyle consumption ecosystem served approximately 440 million insured customers with policies per capita of 16.5. For the period, we recorded RMB3,729.4 million in GWP, representing an increase of 130.8% as compared to the corresponding period of last year. Leveraging on our technology and innovation strengths regarding product upgrading, risk management, marketing and user management, we have intensified our cooperation with Ant Financial in several business fields to jointly explore innovative insurance products and user experiences for the customers, so as to drive the growth of the premiums of the lifestyle consumption ecosystem.

The loss ratio of the lifestyle consumption ecosystem for 2019 was 75.5%, representing a year-on-year increase of 0.7 percentage point, which was attributable to the increase in the proportion of GWP generated from the Shipping Return Policy (退貨運費險) to total GWP recorded for the ecosystem which has a slightly higher loss ratio than that of the other products of the ecosystem, leading to an increase in the overall loss ratio of the ecosystem. Accordingly, given that the channel fee ratio of the Shipping Return Policy was relatively low, the overall channel fee ratio of the ecosystem improved to 18.2%, representing a year-on-year decrease of 1.4 percentage points. Taking into account the combined effect of the loss ratio and channel fee ratio, there was an improvement in the overall underwriting quality of the lifestyle consumption ecosystem.

In 2019, we extended our overseas services (the "Overseas Customers Return Policy") to users in North America, Australia and the European countries, which helped the overseas customers of Alibaba solve difficulties in returning products purchased from China through AliExpress. In the future, we will continue to work with ecosystem partners to proactively explore upgrades and innovation under the e-commerce scenarios by enhancing cooperation and improving the quality of the underwriting business, with an aim to identify any unsolved deficiencies and provide comprehensive insurance solutions.

Travel ecosystem:

In light of our online tourism and travel platforms, we provided travel risk insurance to tourists and business travelers for unexpected emergencies such as flight accidents, flight delays, travel accidents, and flight or hotel cancellations. In 2019, the travel ecosystem recorded RMB1,302.5 million in GWP, representing a year-on-year decrease of 10.8%, and provided services to around 31.80 million users. In 2019, we have taken initiatives to optimize the business structure of the travel ecosystem, and scale down certain products and channels with relatively high loss ratio or channel fee ratio. As a result, the channel fee ratio of the travel ecosystem for 2019 was 86.5%, representing a year-on-year decrease of 2.7 percentage points, while the loss ratio was also down by 2.6 percentage points to 7.1%, showing an improvement in the overall underwriting quality of the travel ecosystem.

Others:

Other businesses mainly included individual accident insurance (non travel-related insurance) and employer liability insurance. Despite the significant reduction in the employer liability insurance business which produced higher loss ratio in 2019, the loss ratio of the business for 2019 continued to be impacted by the policies underwritten during 2018 as such policies mostly had a valid term of one year.

Management Discussion and Analysis

Technology Investment and Export

R&D Investments and Technology Empowerment

We continued to focus on the development of cutting-edge technology sectors including artificial intelligence, blockchain, cloud computing, big data and life science, with an aim to reshape every aspect of the insurance value chain through technology.

In 2019, ZhongAn invested RMB976.9 million in research and development activities, accounting for 6.7% of the Company's GWP. As at December 31, 2019, ZhongAn had a total of 1,355 engineers and technicians, representing 46.8% of our total employees, among which, 97 are responsible for data analysis, 53 are responsible for artificial intelligence, 23 are responsible for blockchain technology, 674 are responsible for system development, 208 are responsible for product research and development and delivery, and the rest are mainly responsible for business-related system connection and maintenance, etc. We have accumulatively filed applications for 478 patents as of December 31, 2019, including applications for 167 overseas patents, among which, applications for 195 patents were filed in 2019, including applications for 116 overseas patents. In addition, there were 133 PCT (Patent Cooperation Treaty) patent applications in total covering 11 countries and regions.

As our cloud-based distributed core system "Wujieshan" is able to support a great number of individual policies, we issued a total of 8.04 billion policies in 2019 and provided services to 486 million users.

The launch of our core insurance system "Wujieshan 2.0" in 2019 facilitated an overall upgrade of the infrastructure. Compared to "Wujieshan 1.0", the new version has the following advantages: 1) there is an insurance business middle office, which creates various functions for the front office that are reusable and provide quick response, so as to accelerate the innovation of the front office; 2) the structure is upgraded with greater capacity and performance that can support the business size with GWP of RMB100 billion; 3) there is improvement in the policy portfolio and process, so as to improve its operation capability. For example, there is a 55% decrease in the number of policy types, resulting in a decrease of 30% in the number of policy projects that are subject to approval; 4) the new system achieves the microservices-based and containerized management at the level of technical structure, enabling the system to quickly realize automatic capacity expansion upon a sharp surge in business volume and achieve agile development and iteration.

In addition, we made continuous efforts to explore the integration of technology and insurance scenarios, including the intelligent commercial insurance platform for claim management in the health ecosystem, the intelligent video claims settlement services provided in the auto ecosystem, the in-depth AI-integrated online customer services and insurance robo-advisor as well as the reinsurance platform with blockchain as a core technology.

Taking the Personal Clinic Policy Series as an example, our technology strengths were applied to the whole insurance value chain covering marketing, product, underwriting, claim settlement and services:

Marketing — On our proprietary platforms, we developed 534 user labels based on various categories of user characteristics. By implementing algorithm-based guidance based on user information such as age, gender, family and products purchased, the repeated purchases rate of the Personal Clinic Policy Series through our proprietary platforms in 2019 was approximately 15% (proportion of users who have made repeated purchases = (other insurance products offered by ZhongAn purchased by policyholders of the Personal Clinic Policy Series with themselves as the insured on our proprietary platforms + the Personal Clinic Policy Series products purchased by such policyholders with their family members as the insured)/the number of policyholders of the Personal Clinic Policy Series on our proprietary platforms);

Products — With the innovation and upgrade of the Personal Clinic Policy Series products, and based on the insights on product design gained from user big data, we have launched over ten personalized policy packages, including those designed to provide insurance coverage for medical treatments in Japan, proton-heavy-ion therapy, and specific medicine for tumors, with an aim to provide personalized and customized product experience for various customer groups;

Underwriting — With our sophisticated intelligent underwriting system, we no longer give users simple answers like "accepted" or "rejected" for online underwriting services. Instead, we provide patients suffering from chronic diseases with customized medical insurance with coverage amounts of RMB1 million based on more specific underwriting information provided by users, conditional upon actuarial results and risk control requirements;

Claim settlement — Through direct connection with medical database and based on the intelligent medical semantic analysis, we significantly reduced labor costs for data entry and structure-based analysis. The automatic adjustment system automatically calculates claim amounts based on the medical information of the insured, and claim obligations and claim standards under the contract terms, significantly increasing the efficiency of claim settlement. As at the end of 2019, the automatic adjustment ratio of our health insurance exceeded 90%, making our insurance services more efficient;

Services — Our Internet hospital was launched in December 2019, which provides our users with one-stop services covering online medical advice, electronic prescription and doorstep medicine delivery. In the future, we will provide case-by-case online health management services targeting different patients at different departments and gradually establish the chronic disease management system, so as to extend our insurance service to the early stages, with an aim to help users better manage their health.

Technology Export

Given our technology strengths, we are able to create innovative business models with scale advantage. Supported by our innovations in Insuretech and the Internet, we focus on the technology export of our insurance technology strengths in domestic and overseas markets, with an aim to improve the operation efficiency and business quality of all parties along the insurance value chain, and assist them in digital transformation.

In 2019, we had nearly 260 contracted customers and recorded revenue from technology export of RMB269.7 million, representing an increase of 139.9% as compared with the corresponding period of last year. We charged our customers technology service fees through product licensing fee, customized service fee and by applying a SaaS model (for example, fees charged at a certain percentage of income or according to user engagement).

As one of our core products for technology export, our insurance system products provide the players in the insurance industry with technology products and scenario-based solutions to solve the deficiencies in various aspects of the insurance business operation, covering marketing, risk control, product design, system operation and maintenance as well as core support. The existing products mainly include 1) the cloud-based distributed core systems, namely Graphene (the digital core system for insurance companies) and Fusion (the insurance platform system for Internet platforms), and the core business production series such as the insurance middle platform applications (including the local version and SaaS version), facilitating the expeditious integration with online insurance business for the enterprises; 2) business growth series including the data analysis for the user operation platform and user growth platform, helping the insurance companies and insurance brokers and agents to build a marketing closed loop to drive user growth with one-stop services; 3) business support series including the system security storage computing, system intelligent operation and maintenance and information security products, providing stable, safe and compliant support services for the customers in their pursuit for rapid business development. In addition, in order to solve problems faced by the customers, we provided a wide variety of solutions for enterprises in the insurance ecosystem such as the intelligent marketing solutions and intelligent risk control solutions, helping the customers to achieve a quick rollout of such related businesses, seize market opportunities, minimize operation costs and improve operation efficiency and business quality.

Graphene digital core insurance system: the system provides end-to-end system solutions to solve the deficiencies of traditional core insurance systems in processing digital insurance business from the source through the next generation core insurance system based on micro services and distributed structure.

Fusion insurance platform system: the system provides digital insurance platform system solutions for Internet platforms to connect Internet platforms with insurance companies, in a joint effort to provide users with customized and usage-based innovative online insurance products.

Insurance middle platform applications: owing to the middle office system, one of the insurance applications developed by the Company, there is no need for the insurance companies to replace their core system for the time being. The solutions empower the front office with digital middle office via shared services, so as to achieve a fast connection with various channels, quick rollout of products and unified platform support capability that supports online business processing in high-concurrency situations. In particular, the solutions support the clients to engage in online insurance business by leveraging on the microservices-based structure that demonstrates flexible scalability. We provided both the local version and SaaS version, with an aim to cater to the diversified business needs of the insurance companies and insurance brokers and agents in a flexible manner.

Intelligent marketing solutions: the traditional insurance business has several deficiencies in marketing such as limited variety of promotion activities, lack of user profiles, lack of user insights, lack of in-depth analysis on the marketing results and potential data security risks. With the user operation platform and user growth platform developed by the Company and based on the exploration and analysis of big data, the solutions help to efficiently target users and cover various marketing scenarios and marketing approaches, so as to drive growth of the business of the players in the insurance industry with data analysis through integration of "data + scenario + intelligent technology".

Intelligent risk control solutions: Through the risk decision-making engine based on big data, these solutions help financial institutions and insurance companies refine risk management and optimize risk control model. In addition, as the solutions support the visual, configurable and flexible upgrade of the business and risk control rules, the product managers are able to carry out rule configuration without the participation of technology development staff in product upgrade.

Management Discussion and Analysis

In 2019, we had a total of 36 contracted clients for our insurance system product who were engaged in the insurance industry (including insurers, insurance brokerages and Internet platforms), of which 20 were new contracted clients and 16 were existing contracted clients. Among the contracted clients who were engaged in the insurance industry in 2018, 73% purchased additional insurance system modules from us or ordered an upgrade on top of their existing modules in 2019, so as to further satisfy their digitalization demands in various aspects and scenarios.

Our technology export business in the domestic market mainly provides solutions composed of independent modules focusing on the core system. For instance:

We developed an integrated digital operation solution on life insurance for Hengqin Life Insurance (橫琴人壽) which covers mobile exhibition platform, e-commerce platform, broker platform and intelligent marketing program, with an aim to help build a distributed core business system covering the whole value chain of life insurance in the industry. Leveraging on such digital business-supported platform, Hengqin Life Insurance, which was founded at the end of 2016, has recorded a compound annual growth rate of over 150% for premiums over the past 3 years. In addition, the products we offered Hengqin Life Insurance have gradually evolved from various product modules for building up online insurance sales capability to solutions for user information management and intelligent marketing, with an aim to assist Hengqin Life Insurance to make good use of big data and give full play to the systematic capacity of the digital business-supported platform to achieve quality growth of its GWP.

We developed the intelligent marketing solution for Evergrande Life Insurance (恒大人壽). In order to solve the difficulty in data collection and analysis as its user data was scattered in various systems and channels, we established a centralized user information management platform for Evergrande Life Insurance to consolidate user profiles, significantly reducing the labor cost of data analysis. On this basis, we continued to assist Evergrande Life Insurance to optimize marketing strategies and improve accurate business recommendations by adopting multidimensional data analysis and exploration approach, and achieve an improvement of approximately 30% in its new user acquisition cost and existing customer renewal rate by using intelligent marketing approach to reach targeted customers.

Furthermore, our insurance middle platform application was commercialized during 2019. We helped solve issues confronted by Dinghe Property Insurance in its digital transformation such as slow connection with the channels, slow system response, and failure of its existing system in effectively supporting business processing in high-concurrency and high-frequency situations. Drawing on our experiences gained over the past years, we provided Dinghe Property Insurance with our insurance middle platform application and streamlined its existing core system, achieving outstanding online digital service capability by developing a middle platform system featured with advanced technology, high utilization rate, high concurrency, excellent flexibility and scalability, so as to create a digital platform that is driven by data analysis and provides real-time operation and system interoperability.

Our overseas strategy has started to show positive results in 2019. We joined hands with our customers to establish insurance platforms based on online ecosystems and the underlying functions required, in a joint effort to provide users with new, simple and affordable insurance protection. Our main exports at the overseas markets were two major insurance system products, namely Graphene (the digital core system for insurance companies) and Fusion (the insurance platform system for Internet platforms).

In 2019, we provided Graphene, the next-generation cloud-based distributed core insurance system, to overseas insurer clients, including SOMPO (one of the top three property and casualty insurance companies in Japan) and NTUC Income (the largest comprehensive insurer in Singapore) to establish digital transformation solutions. For the cooperations with the these insurers, we will receive service fees in line with the roll-out of systems and the maintenance services provided, and will also receive technology service fees at a certain percentage of the premium generated under this model after the premium reaches a certain prescribed amount.

In January 2019, we joined hands with Grab, a leading O2O platform in Southeast Asia, to form a joint venture company, "GrabInsure", to jointly explore the online insurance distribution business in Southeast Asia. In particular, ZhongAn will establish Fusion, the digital insurance distribution platform and provide back-office technology support for the joint venture company. Meanwhile, the joint venture company will join hands with insurance partners across the globe to provide all kinds of customized insurance products for the tens of millions of Grab users in Southeast Asia by exporting sophisticated Insuretech solutions and leading business modes in China. In 2019, Grab issued over 5 million policies under the support of Fusion, our Internet insurance platform system.

Through the cooperation between ZhongAn and Grab, GrabInsure provided drivers registered with the platform with first customized usage-based online commercial auto insurance (UBI auto insurance) in Malaysia, which is underwritten by 16 local property and casualty insurers. ZhongAn provided system connection and technology support, providing insurance coverage on a per-day basis significantly improving the insurance experience for over 40,000 drivers registered with the platform and the underwriting efficiency of the insurers, and also providing the drivers with property protection for work stabilization.

GrabInsure Inc. ("GrabInsure") also cooperated with Chubb Ltd. to launch an accident insurance product in Malaysia, and promoted our concept of "providing insurance coverage for your family" in Malaysia, allowing the drivers to easily purchase insurance for themselves and their families with one-click application. For the first month since the launch of the product, the family insurance policy accounted for approximately 40% of the newly underwritten insurance policies.

In Singapore, GrabInsure joined hands with NTUC Income to launch the usage-based critical illnesses insurance scheme ("Pay Per Trip") designed for drivers in Singapore, under which the system will automatically deduct a certain amount of premiums (S$0.1-0.5) and accrue corresponding coverage amount for the critical illness insurance upon completion of each order by the drivers registered with the Grab platform who have participated in the insurance scheme. The automatic insurance purchase experience for individual policies can significantly reduce the barrier for insurance purchase and provide drivers registered with the platform with affordable critical illness insurance coverage in an easier way.

Looking ahead, through our leverage on the geographical advantage of the Guangdong-Hong Kong-Macau Greater Bay Area, we will closely follow the national "Belt and Road" initiative and export our cutting-edge insurance technologies and proven business models to more countries and regions.

Virtual Bank

On March 27, 2019, we became one of the first batch of companies who were granted a "virtual bank" license by the Hong Kong Monetary Authority. As a non-bank applicant, the issuance of a "virtual bank" license represents recognition of our Fintech strengths. We will also apply to the virtual bank business our insights of customers' behavior pattern gained through big data analysis, identity authentication and other Fintech capability. Upholding the concept of "user participation", we encourage our users to have close communication with our product managers as partners through online and offline interaction and participate in the product designing process, with an aim to improve customer experience and create products that cater to users' needs. ZhongAn Bank launched its trial pilot on December 18, 2019 and became the first virtual bank in trial operation in Hong Kong.

Asset Management

As of December 31, 2019, we had total investment assets of RMB19,930.6 million, of which stocks and equity mutual funds, fixed income investments and other investments represented 14.7%, 42.4% and 19.3% of our total investment assets, respectively. In 2019, our total investment yield and net investment yield was 9.3% and 4.8% respectively (2018: 2.6% and 4.2% respectively).

In 2019, as a result of the macro economy and return/risk expectation of various categories of assets, we strengthened asset allocation management and risk management in order to seize investment opportunities in the capital market and timely lock in investment profit. The measures taken by us included: 1) strengthening our capabilities of asset allocation and investment in all product varieties and adjusting the tactical asset allocation in the asset allocation plan for the year in a flexible manner by, on one hand, increasing investment in assets with steady yield contribution to improve portfolio return and, on the other hand, adjusting the investment proportion of assets with greater fluctuations based on our analysis on the market in a dynamic manner to improve earnings; 2) amidst significant fluctuations in the equity market, we adjusted the proportion of equity-related investments in a flexible manner according to the structural market conditions throughout the year and seized appropriate opportunities to take profit, outperforming the market in terms of earnings; and 3) enhancing the overall risk management by implementing all-round control and management over the market risk, credit risk, operational risk and liquidity risk through the entire process, so as to mitigate risk exposure to asset investments. As at December 31, 2019, more than 99% of the credit bonds we invested had a credit rating of AA and above.

Looking forward into 2020, changes in the domestic and international fundamentals, policy adjustments and Sino-US relationship will continue to affect the performance of each asset class. Faced with various uncertainties surrounding the macro environment and a relatively low interest rate environment, we will carefully cope with changes in the market and adjust its asset allocation in a flexible manner, with an aim to register stable investment income.

Outlook

Our long-term goal is to achieve a return on equity higher than average industry level.

In 2020, we will continue to adhere to the two-winged strategy of "Insurance + Technology". Upholding to the principle of high-quality growth, we will incorporate technology development and innovation into the insurance value chain and continuously optimize underwriting efficiency and user experience while commercializing our insurance technology strengths in domestic and overseas markets, so as to promote the digital transformation of the insurance industry.

Management Discussion and Analysis

In particular, we plan to:

Insist on high-quality growth and technology-empowered development to constantly improve underwriting business indicators: We will focus our resources on technology-empowered businesses with long-term value by deepening cooperation with strategic partners and proactively exploring the development of our proprietary platforms. In addition, we will dedicate to improving user experience and operational efficiency leveraging on growing user profiles, and increasingly optimize risk control model and technology-empowered insurance, with an aim to constantly improve underwriting business indicators.

Develop our proprietary platforms to enhance the brand recognition of ZhongAn: We will continue to leverage on our technology strengths in artificial intelligence, big data and cloud computing as well as our sophisticated online user operation capability, and strengthen users' insurance awareness through our proprietary platforms to generate sales, providing users with one-stop insurance and value-added services, so as to enhance user loyalty, and hence further enhance users' perception of the ZhongAn brand and improve the long-term value of the Company and users.

Strengthen the refined operation management system driven by data analysis to offer automatic and intelligent user experience: We will apply data analysis to the entire operation process to improve the automation and intelligence level of the operation process. In terms of marketing, we will realize real-time monitoring and intelligent optimization of the quality of marketing and underwriting under new scenarios. In terms of pricing, we will optimize the pricing model by leveraging on our machine learning platform to form an automatic assessment closed-loop of data analysis. In terms of customer services, we will apply the artificial intelligence (AI) technology to our telephone customer service process to improve its automation level and achieve integration with online services, etc.

Constantly scale up international Fintech presence to promote the digital transformation of the industry: We will continue to increase R&D investment in advanced technologies in insurance and financial technology fields. Leveraging on our online insurance, technology export, virtual bank and other core businesses and sticking to our user-oriented approach, we are committed to creating a benchmark business model and technology applications in insurance, banking and other financial sectors, so as to promote the digital transformation of the industry.

Improve the risk-oriented solvency management system and enhance comprehensive risk management capability: We will continue to improve our risk-oriented solvency management by taking the initiative to strengthen capital planning and forecasting capabilities and enhance the systemization of risk control indicators. Besides, we will fully utilise the risk management tools and technologies as well as tools for comprehensive budget, asset and liability management, capital planning and allocation, stress testing, risk performance assessment, so as to realize early provision, application and integration of risk management in the course of business operation. Great efforts were also made to further refine the particularity of comprehensive risks, sort out risk distribution and improve risk management efficiency, so as to support the implementation of business decisions and strategies of the Company.

Enhance the Company's capabilities in asset allocation, investment research and active management: We will continue to strengthen asset allocation management focusing on medium- and long-term investment planning management and capital management to achieve steady asset appreciation in the medium and long run. Meanwhile, starting with basic investment research, based on in-depth research and targeting at the development of comprehensive investment research capability, we will remain committed to optimizing our investment research system by continuously optimizing the investment research framework covering asset and liability management, asset allocation, industry allocation and investment subject selection and improving the investment subject indicator system, thereby producing an intuitive, quantitative and insightful profile of investment activities. In addition, we will continue to improve the comprehensive risk management system, strengthen our ex-ante risk management and penetration management, and establish our risk management system with a focus on credit risk management, market risk management, operational risk management and legal risk prevention and control, so as to ensure that the risks associated with asset investments are under control.

FINANCIAL REVIEW

For the year ended December 31, 2019, we continued to take advantage of development opportunities in the PRC Insuretech market and achieve steady growth. We focused more on business quality and invested more on fine management and data-driven operations. For the year ended December 31, 2019, the Company's GWP reached approximately RMB14,629.6 million, representing a year-on-year increase of 30.0%. We ranked 11th in the PRC property and casualty insurance market and remained 1st in the PRC internet non-auto property and casualty insurance market in terms of GWP for the year ended December 31, 2019.

The following table sets forth the comparative figures for the year ended December 31, 2019 and the year ended December 31, 2018:

	For the Year Ended December 31	
	2019 RMB'000	2018 RMB'000
Gross written premiums	14,629,589	11,255,718
Net premiums earned	12,801,451	8,800,303
Total income	15,123,964	9,610,314
Net (loss) for the year	(638,645)	(1,796,718)
Total comprehensive (loss) for the year	(680,929)	(1,743,768)
(Loss) per share		
– Basic (RMB yuan)	(0.31)	(1.19)
– Diluted (RMB yuan)	(0.31)	(1.19)

The following table sets forth our key financial ratios for the year ended December 31, 2019 and the year ended December 31, 2018:

	For the Year Ended December 31	
	2019	2018
Retention ratio(1)	98.4%	95.9%
Loss ratio(2)	67.4%	59.9%
Expense ratio(3)	45.9%	61.0%
Combined ratio(4)	113.3%	120.9%
Net investment yield(5)	4.8%	4.2%
Total investment yield(6)	9.3%	2.6%
Return on assets(7)	(1.6%)	(7.3%)
Return on equity(8)	(3.0%)	(10.7%)
Gearing ratio(9)	46.6%	37.5%

Notes:

1. Retention ratio equals net written premiums, which is gross written premiums less premiums ceded to reinsurer, as a percentage of gross written premiums.
2. Loss ratio equals net claims incurred as a percentage of net premiums earned.
3. Expense ratio equals insurance operating expenses expressed as a percentage of net premiums earned.
4. Combined ratio equals the sum of loss ratio and expense ratio.
5. Net investment yield equals the sum of net interest income, dividend income and share of net profit of associates and joint ventures less interest expense relating to securities sold under agreements to repurchase for the period as a percentage of the average of the opening and closing balances of total investment assets of the period.
6. Total investment yield equals total investment income (defined as the sum of net investment income, net fair value gains through profit or loss and share of net profit of associates and joint ventures less interest expense relating to securities sold under agreements to repurchase and impairment relating to investment assets) for the period as a percentage of the average of the opening and closing balances of total investment assets of the period.
7. Return on assets equals profit/(loss) for the year attributable to equity owners of the Company divided by the average of the opening and closing balances of total assets of the period.
8. Return on equity equals profit/(loss) for the year attributable to equity owners of the Company divided by the average of the opening and closing balances of total equity attributable to equity owners of the Company of the period.
9. Gearing ratio is represented by total liabilities (excluding capital supplementary bonds and subordinated term debts) divided by total assets.

Management Discussion and Analysis

UNDERWRITING BUSINESS

The following table sets forth the selected financial indicators of the insurance business of the Company and its subsidiaries and their percentages to net earned premiums for the relevant periods:

	Year ended December 31,			
	2019		2018	
	RMB'000	%	RMB'000	%
Net premiums earned	12,801,451	100.0	8,800,303	100.0
Net claims incurred	8,624,689	67.4	5,268,436	59.9
Insurance operating expenses	5,875,611	45.9	5,367,238	61.0
Underwriting loss	(1,698,849)	(13.3)	(1,835,371)	(20.9)

1. **Gross written premiums**

GWP primarily include premiums written by us on insurance contracts issued or renewed for a given period, without deduction for premiums ceded by us to reinsurers.

Gross written premiums increased by approximately 30.0% from approximately RMB11,255.7 million for the year ended December 31, 2018 to RMB14,629.6 million for the year ended December 31, 2019. We continued to optimize our product structure in order to fulfill high-quality growth. Benefiting from deep cooperation with our business partners and key distribution platform, we achieved huge growth in shipping return insurance and health insurance. Simultaneously, GWP for accident insurance, liability insurance and bond and credit insurance as a whole decreased noticeably as we cut down the scale of Employer Liability Insurance, Group Accident Policy, Flight Accident and Delay Policy and reduced the scale of GWP generated from consumer finance ecosystem to manage the whole risk.

A breakdown of the GWP from our different insurance products for the periods indicated is shown below:

	For the Year Ended December 31		
	2019	2018	(% of change)
Health insurance	4,634,895	2,365,378	95.9
Bond insurance	2,938,766	2,267,705	29.6
Accident insurance	1,797,615	2,199,784	-18.3
Motor insurance	1,263,723	1,146,030	10.3
Credit insurance	440,297	1,492,190	-70.5
Cargo insurance	203,444	148,623	36.9
Liability insurance	137,129	467,179	-70.6
Household property insurance	49,963	33,480	49.2
Others[1]	3,163,757	1,135,349	178.7
Of which:			
Shipping return insurance	3,072,572	1,057,889	190.4
Total	14,629,589	11,255,718	30.0

Note:

1. The CBIRC recognizes the following types of the property and casualty insurance products: accident insurance, bond insurance, health insurance, liability insurance, credit insurance, cargo insurance, household property insurance and others. "Others" primarily consists of shipping return insurance, which is categorized as such based on its policy terms in our periodic reports to the CBIRC.

2. **Premiums ceded to reinsurers**

The premiums ceded to reinsurers decreased from approximately RMB462.6 million for the year ended December 31, 2018 to approximately RMB234.1 million for the year ended December 31, 2019, of which the ceded premiums of accident insurance amounted to approximately RMB26.6 million and the ceded premiums of health insurance amounted to approximately RMB206.3 million. The decrease in premiums ceded to reinsurers is mainly due to changes of product portfolio and optimization of ceding policy.

The Company continued to carry out a stable ceding policy for the year ended December 31, 2019. Reinsurance helped to diversify risk and support the Company's long term growth. The Company also continued to strengthen and deepen cooperation with reinsurers in other aspects. Our current reinsurer partners include, but are not limited to, General Reinsurance AG Shanghai Branch, China Property & Casualty Reinsurance Company Ltd. and Lloyd's Insurance Company (China) Limited.

3. **Net change in unearned premium reserves**

Unearned premium reserves are portions of written premiums relating to unexpired risk of insurance coverage. Net change in unearned premium reserves was approximately RMB1,594.0 million during the year ended December 31, 2019, RMB398.8 million less than that during the year ended December 31, 2018, because on one hand, short-term products, such as shipping return insurance, took higher proportion in the whole product mix in 2019 compared to that in 2018, and on the other hand, the year-on-year GWP growth rate of approximately 30.0% in 2019 is much lower compared to that of approximately 89.0% in 2018.

4. **Net premiums earned**

Net premiums earned represent net written premiums less net change in unearned premium reserves. As a result of the foregoing, net premiums earned increased by approximately 45.5% from approximately RMB8,800.3 million for the year ended December 31, 2018 to approximately RMB12,801.5 million for the year ended December 31, 2019.

5. **Net claims incurred**

Net claims incurred represent insurance claims paid less claims paid ceded to reinsurers, as adjusted by net change in claim reserve. Net claims incurred increased by approximately 63.7% from approximately RMB5,268.4 million for the year ended December 31, 2018 to approximately RMB8,624.7 million for the year ended December 31, 2019, among which net claims for bond and credit insurance rose by approximately 47.6% from approximately RMB2,000.4 million for the year ended December 31, 2018 to approximately RMB2,953.5 million for the year ended December 31, 2019, and net claims incurred for health, motor and other insurance rose by approximately RMB621.5 million, approximately RMB306.0 million and approximately RMB1,531.5 million, respectively, from that for the year ended December 31, 2018 to the year ended December 31, 2019.

6. **Handling charges and commissions**

Handling charges and commissions represent fees paid to insurance agents for the distribution of our policies less reinsurance expense recovered. Handling charges and commissions decreased by approximately 15.3% from approximately RMB1,074.8 million for the year ended December 31, 2018 to approximately RMB909.9 million for the year ended December 31, 2019, primarily due to our adjustment of product portfolio. We cut down the scale of those products with higher commission rate, such as Group Accident Policy, Flight Accident policy and Employer Liability Insurance.

7. **General and administrative expenses**

General and administrative expenses primarily include consulting and technical fee primarily paid to our ecosystem partners, employee benefit expense, advertising and marketing expenses, amortization of right-of-use assets, impairment loss of premium receivable and intangible assets, asset management fee and other miscellaneous general and administrative expenses. General and administrative expenses increased by approximately RMB789.9 million from approximately RMB4,627.0 million for the year ended December 31, 2018 to approximately RMB5,416.9 million for the year ended December 31, 2019. Advertising and marketing expense increased by approximately RMB 398.5 million to RMB608.6 million for the year ended December 31, 2019, primarily due to our cooperation with some key media platforms to promote our products. Employee benefit expense increased by approximately RMB110.1 million to RMB950.0 million for the year ended December 31, 2019, due to the optimization of staff structure and expansion of overseas business. Asset management fee increased by approximately RMB 86.1 million to RMB138.1 million for the year ended December 31, 2019 due to good investment performance during the year.

Management Discussion and Analysis

INVESTMENT BUSINESS

In 2019, the Company's investing activities consisted of (i) equity investment; (ii) proprietary trading of bonds and other asset management products; and (iii) entrustment of third-party asset management companies for purchase of stock, bonds and other asset management products.

8. Composition of investment assets

We strictly comply with the requirements of relevant PRC laws and regulations and implement prudent risk management by establishing a comprehensive and integrated asset management framework to ensure that our assets are properly managed. The following table shows the composition of our investment assets:

	December 31, 2019		December 31, 2018	
	Balance RMB'000	Percentage %	Balance RMB'000	Percentage %
By category:				
Cash and cash equivalents	2,914,820	14.6	2,426,829	12.8
Fixed income investments	8,450,182	42.4	11,612,736	61.2
Bonds	11,674,380	58.6	11,805,904	62.2
Term Deposits	300,000	1.5	960,000	5.1
Other Fixed Income Investments	(3,524,198)	(17.7)	(1,153,168)	(6.1)
Equity and investment funds	4,712,869	23.6	2,601,663	13.7
Investment funds	1,991,589	10.0	1,463,927	7.7
Stocks	2,082,521	10.4	767,720	4.0
Unlisted equity shares	638,759	3.2	370,016	2.0
Other investments	3,852,755	19.3	2,328,326	12.3
Wealth management products	2,576,079	12.9	1,731,257	9.1
Trust	1,276,676	6.4	597,069	3.2
Total investment assets	19,930,626	100.0	18,969,554	100.0

We had total investment assets of approximately RMB18,969.6 million in 2018 and approximately RMB19,930.6 million in 2019, respectively, representing an increase of approximately RMB961.0 million. Total investment assets represented approximately 72.0% and 64.5% of our total assets in 2018 and 2019, respectively. As of December 31, 2019, equity and investment funds and other investments represented approximately 23.6% and approximately 19.3% of our total investment assets, respectively. Our total investment yield was approximately 2.6% and 9.3% in 2018 and 2019, respectively.

9. Cash and cash equivalents

Cash and cash equivalent/equivalents primarily include cash, time deposit and placements with banks. Cash and cash equivalent/equivalents increased from approximately RMB2,426.8 million for the year ended December 31, 2018 to approximately RMB2,914.8 million for the year ended December 31, 2019. The primary reason for the increase was net cash inflows from financing activities as discussed in the section headed "Cash flows".

10. Bonds

Bonds included government bonds, financial bonds, corporate bonds and interbank deposits. As of December 31, 2019, 99.7% of the bonds the Company held received external ratings of AA level or above with more than approximately 61.9% of them receiving external ratings of AAA level. Bonds decreased from approximately RMB11,805.9 million for the year ended December 31, 2018 to approximately RMB11,674.4 million for the year ended December 31, 2019. We reduced the scale of bond investment in order to manage market risk as the volatility of the bond market strengthened in 2019.

11. Stocks and investment funds

The Company's investment in stocks increased from approximately RMB767.7 million as of December 31, 2018 to approximately RMB2,082.5 million as of December 31, 2019, and our investment in investment funds increased from approximately RMB1,463.9 million as of December 31, 2018 to approximately RMB1,991.6 million as of December 31, 2019. Considering our need to invest in a variety of products and improvement in the fund investment research and management, we increased the scale of investments in stocks and investment funds to gain more investment income.

12. Other investments

Other investments include: (i) wealth management products, which include asset management plans issued by reputable financial institutions such as Ping An Asset Management Co., Ltd.; and (ii) trust products, which typically have longer terms and higher return over investment as compared to traditional fixed income products and receive external ratings of AA level or above. The Company's investment in other investments increased from approximately RMB2,328.3 million as of December 31, 2018 to approximately RMB3,852.8 million as of December 31, 2019. Considering the increasing volatility of bond market in 2019 and our need to diversify the whole investment portfolio, the Company invested more in other investments to obtain stable investment return and manage whole credit risk.

13. Net Investment Income

	For the Year Ended December 31		
	2019 RMB'000	2018 RMB'000	(% of change)
Interest income			
– Bond investments	486,044	517,414	-6.1
– Trust investment scheme	63,045	95,842	-34.2
– Bank deposits	61,970	63,008	-1.6
– Securities purchased under agreements to resell	8,070	24,450	-67.0
Dividend income			
– Fund investment	193,553	89,161	117.1
– Equity investment	28,442	39,703	-28.4
– Wealth management products	221,778	13,515	1541.0
Realized gain/(loss), net	712,884	(68,608)	-1139.1
	1,775,786	774,485	129.3

Net investment income is comprised of interest income from trust products, term deposits, securities purchased under agreements to resell and debt securities, dividend income from wealth management products, investment funds and equity securities, and realized gains or losses on security transactions and available-for-sale securities. We had net investment income of approximately RMB774.5 million for the year ended December 31, 2018 and net investment income of approximately RMB1,775.8 million for the year ended December 31, 2019. On the one hand, we invested more in investment funds and wealth management products to gain steady dividend income; on the other hand, we fully utilized the fluctuation in the stock market and realized gains from stock trading.

Management Discussion and Analysis

14. **Net fair value gains through profit or loss**

Net fair value gain through profit or loss represent net fair value change on financial assets measured at fair value through profit or loss. We had net fair value gain amounting to approximately RMB169.9 million for the year ended December 31, 2019, compared to loss of approximately RMB153.9 million for the year ended December 31, 2018. The changes were primarily due to general condition of the A share markets in 2019.

TECHNOLOGY BUSINESS

Revenue generated from technology export business of ZhongAn Technology and ZhongAn International rose from approximately RMB112.4 million for the year ended December 31, 2018 to approximately RMB269.7 million for the year ended December 31, 2019. Correspondingly, technology export business incurred approximately RMB334.3 million loss in total for the year ended December 31, 2019, representing a year-on-year decrease of approximately 1.7%.

OVERALL RESULTS

15. **Total income**

Total income represents the sum of net premiums earned, net investment income, net fair value changes through profit or loss and other income. As a result of the foregoing, total income increased by approximately 57.4% from approximately RMB9,610.3 million for the year ended December 31, 2018 to approximately RMB15,124.0 million for the year ended December 31, 2019.

16. **Total loss before tax**

Total loss before tax of the Company was approximately RMB610.8 million for the year ended December 31, 2019 compared with total loss before tax of approximately RMB1,810.2 million for the year ended December 31, 2018.

17. **Income tax expense**

Under the Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法), the Company and some of its subsidiaries are subject to the statutory rate of 25%. We had income tax credit of approximately RMB13.4 million and income tax expense of approximately RMB27.8 million for the year ended December 31, 2018 and 2019, respectively, which were primarily generated from changes in deferred income tax liabilities.

18. **Net (loss) for the Reporting Period**

The Company incurred a net loss of approximately RMB638.6 million for the year ended December 31, 2019 compared to a net loss of approximately RMB1,796.7 million in 2018. The decrease in loss was mainly due to the decrease in underwriting loss and the increase in investment income.

CASH FLOW

The following table sets forth our cash flows for the periods indicated:

	For the Year Ended December 31	
	2019 RMB'000	2018 RMB'000
Net cash outflow from operating activities	(1,214,823)	(1,279,097)
Net cash outflow from investing activities	(361,297)	(4,938,149)
Net cash inflowfrom financing activities	2,031,518	3,384,654
Effect of exchange rate changes on cash and cash equivalents	32,593	(838)
Net increase/(decrease) in cash and cash equivalents	487,991	(2,833,430)
Cash and cash equivalents at the beginning of period	2,426,829	5,260,259
Cash and cash equivalents at the end of period	2,914,820	2,426,829

We had net cash outflow from operating activities of approximately RMB1,214.8 million in the year ended December 31, 2019, which comprised of cash inflow from underwriting business and other operating activities of approximately RMB14,551.0 million, offsetted by the cash outflows from claims and other operating expenses of approximately RMB8,337.8 million and approximately RMB7,428.0 million, respectively.

We had net cash outflow from investing activities of approximately RMB361.3 million in the year ended December 31, 2019, whereas our net cash outflow for the year ended December 31, 2018 was approximately RMB4,938.1 million. This was primarily due to the increase in dividend income received and gains realized and decrease in purchase of investment.

We had net cash inflow from financing activities of approximately RMB2,031.5 million during the year ended December 31, 2019, which consisted of (i) proceeds from issuance of preferred shares by ZhongAn International amounting to approximately RMB814.1 million; (ii) net cash inflows from transaction of securities under agreements to repurchase amounting to approximately RMB1,408.4 million; and (iii) capital injection from non-controlling interest amounting to approximately RMB455.9 million, which was offset by cash outflow amounting to approximately RMB317.6 million paid to a non-controlling interest in ZhongAn Financial Services Limited.

INDEBTEDNESS

As of December 31, 2019, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, or unguaranteed, secured or unsecured, nor had any guarantees or other contingent liabilities.

19. Material investments

We do not hold any material investments during the year ended December 31, 2019.

20. Material acquisitions and disposals

Save as disclosed in this annual report, we did not have any material acquisitions or disposals of subsidiaries, associated companies or joint ventures during the year ended December 31, 2019.

21. Future plans for material investments and capital assets

As of December 31, 2019, we did not have other plans for material investments and capital assets.

22. Pledge of assets

As at December 31, 2019, none of the Group's assets were pledged.

23. Gearing ratio

As of December 31, 2019, our gearing ratio, calculated as total liabilities (excluding capital supplementary bonds and subordinated term debts) divided by total assets, was approximately 46.6%, representing an increase of 9.1 percentage points as compared with approximately 37.5% as of December 31, 2018. The increase was primarily due to purchase of securities sold under agreements to repurchase and increase of insurance contract liabilities.

24. Foreign exchange exposure

During the year ended December 31, 2019, we mainly operated in the PRC and majority of the transactions were settled in Renminbi, the Company's functional currency. As of December 31, 2019, our cash and cash equivalents denominated in foreign currencies included approximately HK$2,027.1 million, approximately USD20.5 million and approximately JPY528.9 million, mainly arising from the business operation of ZhongAn International. We did not use any financial instruments for hedging purposes during the year ended December 31, 2019.

25. Contingent liabilities

As of December 31, 2019, we did not have any material contingent liabilities.

26. Off-balance sheet commitments and arrangements

As of December 31, 2019, we have not entered into any off-balance sheet arrangements.

Management Discussion and Analysis

27. Events after the Reporting Period

On January 8, 2020, the Company injected RMB400,000 thousand into ZhongAn Technology, increasing its paid-in capital to RMB2,730,000 thousand. The Company holds 100% voting rights of ZhongAn Technology.

On January 16, 2020, ZhongAn Technology and Sinolink Worldwide injected RMB600,000 thousand and RMB576,471 thousand into ZhongAn International respectively. After this transaction, the registered capital of ZhongAn International increased to RMB2,070,784 thousand. ZhongAn Technology holds 51% voting rights of ZhongAn International.

On January 16, 2020, ZhongAn International redeemed 480,000,000 redeemable preference shares at total redemption price of RMB511,893,592.

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in January 2020 in Wuhan, Hubei Province, the World Health Organization declared in March 2020 that COVID-19 outbreak has become a global pandemic. The COVID-19 outbreak has certain impacts on the business operation and overall economy in some areas or industries around the world, including in China. The degree of the impact depends on the situation of the epidemic preventive measures, the duration of the epidemic and the implementation of regulatory policies, which remains unclear at present. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group going forward.

28. Employees and remuneration policies

As at December 31, 2019, the Group had 2,898 full-time employees. The number of employees employed by the Group varies from time to time depending on need. Employee remuneration is determined in accordance with prevailing industry practice and employees' educational backgrounds, experiences and performance. The remuneration policy and package of the Group's employees are periodically reviewed. Apart from pension funds, in-house training programs, discretionary bonuses, medical insurance and mandatory provident fund, share awards may be granted to employees according to the assessment of individual performance.

Compensation of key executives of the Group is determined by the Company's remuneration committee which reviews and determines executives' compensation based on the Group's performance and the executives' respective contributions to the Group.

The total employee benefit cost (including directors' and supervisors' remuneration) incurred by the Group for the year ended December 31, 2019 was RMB1,497.9 million.

Directors, Supervisors and Senior Management

Basic information of Directors, Supervisors and senior management

Name	Position/Title	Age	Date of Appointment
Yaping Ou[(1)]	Chairman of the Board and executive Director	57	November 14, 2013
Jin Chen	Executive Director	51	November 14, 2014
Hugo Jin Yi Ou[(1)]	Executive Director	27	November 27, 2017
Xinyi Han	Non-executive Director	42	November 23, 2016
Xiaoming Hu	Non-executive Director	49	November 29, 2013
Liangxun Shi	Non-executive Director	52	November 18, 2019
Ming Yin	Non-executive Director	50	November 18, 2019
Shuang Zhang	Independent non-executive Director	48	November 14, 2014
Hui Chen	Independent non-executive Director	53	December 21, 2016
Yifan Li	Independent non-executive Director	52	December 21,2016
Ying Wu	Independent non-executive Director	60	July 4, 2017
Wei Ou	Independent non-executive Director	62	December 19, 2019
Yuping Wen	Chairman of the Supervisory Committee	39	November 29, 2013
Baoyan Gan	Supervisor	45	November 14, 2014
Haijiao Liu	Employee representative Supervisor	34	May 14, 2018
Xing Jiang[(2)]	General manager and chief executive officer	42	July 18, 2019
Min Wang	Vice general manager	34	July 24, 2019
	Secretary of the Board		May 14, 2018
Francis Yui Man Tang	Vice general manager and chief financial officer	56	July 10, 2018
Yongbo Zhang	Vice general manager	41	April 20, 2018
	Chief legal officer		November 7, 2013
	Chief risk management officer		November 13, 2019
Gaofeng Li	Vice general manager and chief investment officer	42	January 23, 2019
Ge Lin	Vice general manager	49	June 26, 2019
Hai Lin	Chief actuary	47	January 2, 2020
Jingwei Zhang	Audit director	36	January 11, 2016
Lei Xiang	Assistant general manager	40	July 9, 2018
Rui Sun	Financial director	36	June 13, 2019

Notes:

1. Hugo Jin Yi Ou is the son of Yaping Ou.

2. Xing Jiang's qualification for the appointment of general manager is subject to the approval of the CBIRC. The Board has agreed that Xing Jiang would act as the provisional person-in-charge of the Company and be responsible for the daily operation and management of the Company for the period from July 18, 2019 until such approval is received.

3. The above table sets out the Directors, Supervisors and senior management personnel of the Company during the Reporting Period and who remains as a Director, Supervisor and/or senior management personnel of the Company as at the Latest Practicable Date.

Directors, Supervisors and Senior Management

Major working experiences and concurrent positions of Directors, Supervisors and Senior Management

Executive Directors

Yaping Ou (歐亞平), aged 57, has been the chairman of the Board since November 2013. Mr. Ou joined our Group in November 2013 and is responsible for overall strategic planning and business direction, and is also an executive Director and a member of the Remuneration and Nomination Committee of the Board of the Company. Mr. Ou obtained a bachelor's degree in Engineering Management from the Beijing Institute of Technology (北京理工大學) in July 1984. Mr. Ou has around 30 years of experience in investing and corporate management. He served as the chairman and executive director of Sinolink Worldwide, a company listed on the Hong Kong Stock Exchange (Stock Code: 1168), between December 1997 and August 2013, and has served as its non-executive director since August 2013. Mr. Ou has been the chairman of Cnhooray Internet Technology Co. Ltd. (深圳日訊網絡科技股份有限公司), a substantial shareholder of the Company since 2000.

Jin Chen (陳勁), aged 51, is an executive Director of the Company and the chairman of the Investment Strategy Committee of the Board and the president of the Fintech Research Institute of the Company. Mr. Chen joined our Group in June 2014. Mr. Chen obtained a bachelor's degree in engineering and a master's degree in engineering management from Huazhong University of Technology (華中理工大學) in July 1991 and June 1994, respectively. In addition, Mr. Chen also obtained an executive master of business administration degree from the Cheung Kong Graduate School of Business (長江商學院) in 2012. He is currently serving as a visiting professor of the Chinese University of Hong Kong (香港中文大學). Mr. Chen has nearly 20 years' experience in finance and business management. He was president of the credit card centre of CITIC Bank Co., Ltd. (中信銀行股份有限公司) from August 2006 to May 2014 and a vice president from July 2005 to August 2006. Prior to that, he worked as a vice president in China Merchants Fund Management Co., Ltd. (招商基金管理有限公司) from 2003 to 2005 and as a vice president at China Merchants Securities Co., Ltd. (招商證券股份有限公司) from 2002 to 2003. Mr. Chen was also the vice head of the director's office at China Merchants Bank Co., Ltd. (招商銀行股份有限公司) from March 1999 to July 2001.

Hugo Jin Yi Ou (歐晉羿), aged 27, is an executive Director of the Company. Prior to his appointment as an executive Director in November 2017, Mr. Ou served as a non-executive Director of the Company between July 2017 and November 2017. He is also a member of the Investment Strategy Committee of the Board of the Company. He joined our Group in July 2017 and is primarily responsible for providing professional opinion and judgment to the Board. He has been a non-executive director of Sinolink Worldwide (stock code: 1168), a company whose shares are listed on the Hong Kong Stock Exchange, since January 2016. Mr. Ou is also a director of ZhongAn Technologies International Group Limited, a subsidiary of the Company. Mr. Hugo Ou obtained a bachelor's degree in East Asian studies from Princeton University in July 2015. He worked as an associate at Thrive Capital from August 2015 to August 2016 and also served as manager of the planning and development department of Sinolink Worldwide from 2010 to 2015. Mr. Hugo Ou is a son of Mr. Ou Yaping who is the chairman of the Board.

Non-Executive Directors

Xinyi Han (韓歆毅), aged 42, is a non-executive Director and a member of the Investment Strategy Committee of the Board of the Company. Mr. Han joined our Group in November 2016. Mr. Han obtained a bachelor's degree in economics and a master's degree in economics from Tsinghua University (清華大學) in July 1999 and June 2001, respectively. Mr. Han has over 15 years of experience in finance. Mr. Han has been vice president of Ant Financial, a substantial shareholder of the Company, since July 2014. Prior to that, Mr. Han was a vice president at Alipay (Hong Kong) Holding Limited (支付寶(香港)控股有限公司) from September 2011, and had also worked at China International Capital Corporation Limited (中國國際金融有限公司) from July 2001 to September 2011. He has served as a director of Hundsun Technologies Inc. (恒生電子股份有限公司), a company listed on the Shanghai Stock Exchange ("**SSE**") (SSE Stock Code: 600570) since February 2016 and Yum China Holdings, Inc. (a company listed on the New York Stock Exchange ("**NYSE**"), stock code; YUM) since May 2019.

Xiaoming Hu (胡曉明), aged 49, is a non-executive Director and a member of the Risk Management Committee of the Board of the Company. Mr. Hu joined our Group in November 2013. Mr. Hu graduated from Zhejiang University (浙江大學), majoring in finance by correspondence, in June 2002 and a master of business administration from China Europe International Business School (中歐國際工商學院) in September 2010. Mr. Hu has been the president of Ant Financial since November 2018. Mr. Hu was the president of Alibaba Cloud Computing Ltd. (阿里雲計算有限公司) from November 2014 to 2018. Mr. Hu was vice president of Zhejiang Alibaba Microfinance Co., Ltd. (浙江阿里巴巴小額貸款股份有限公司) from 2010 to 2011, and a senior supervisor and president's assistant of Alipay (China) Network Technology Co., Ltd. (支付寶 (中國) 網絡技術有限公司) from 2005 to 2008. He served as a non-executive director of Sinosoft Technology Group Limited (中國擎天軟件科技集團有限公司), a company listed on the Hong Kong Stock Exchange (Stock Code: 1297) from January 2017 to June 2019, and a non-executive director of China United Network Communications Group Co., Ltd. (中國聯合網絡通信集團有限公司), a company listed on the SSE (SSE Stock Code: 600050), from February 2018 to July 2019. He served as an independent director of Zhejiang Daily Media Group Co., Ltd. (浙報傳媒集團股份有限公司), a company listed on the SSE (SSE Stock Code: 600633) from April 2016 to March 2017 and served as a director of Hundsun Technologies Inc. (恒生電子股份有限公司), a company listed on the SSE (SSE Stock Code: 600570) from October 2014 to February 2016.

Liangxun Shi (史良洵), aged 53, is a non-executive Director and a member of the Audit Committee of the Board of the Company. Mr. Shi joined our Group in November 2019. Mr. Shi graduated from Shanghai Institute of Mechanical Engineering. He is currently the deputy general manager of Ping An P & C, responsible for the individual insurance business group. Mr. Shi joined Ping An Insurance in October 1990 and held various positions including assistant general manager of the financial investment department of Ping An Insurance, deputy general manager of the underwriting department of Ping An P&C, deputy general manager of the non-marine insurance department of Ping An P&C, deputy general manager of the P&C insurance department of Ping An P&C and general manager of the P&C insurance department of Ping An P&C.

Ming Yin (尹銘), aged 50, is a non-executive Director and a member of the Risk Management Committee of the Board of the Company. Mr. Yin joined our Group in November 2019. Mr. Yin held various positions since 2007, including general manager of Shanghai Branch of China Life Property and Casualty Insurance Co., Ltd. (中國人壽財產保險公司) ("**China Life Property and Casualty Insurance**"), assistant president and vice president of China Life Property and Casualty Insurance, and vice president of Ant Financial. Mr. Yin graduated with an EMBA from China Europe International Business School.

Independent Non-Executive Directors

Shuang Zhang (張爽), aged 48, is an independent non-executive Director and chairman of the Remuneration and Nomination Committee of the Board of the Company. Mr. Zhang joined our Group in November 2013. Mr. Zhang graduated from Nanjing University (南京大學), majoring in natural resources management, in July 1994 and a master's degree in science from James Madison University in the United States in May 2002. He has been chief executive officer of The Paradise International Foundation (桃花源生態保護基金會) since 2015. Mr. Zhang has been a project director of the China region at The Nature Conservancy (大自然保護協會) from 2005 to 2015.

Hui Chen (陳慧), aged 53, is an independent non-executive Director, chairman of the Audit Committee and a member of the Related Transactions Control Committee of the Board of the Company. Ms. Chen joined our Group in December 2016. Ms. Chen obtained a bachelor's degree in business management and a master's degree in business management from Shanghai Jiao Tong University (上海交通大學) in June 1988 and January 1991, respectively. Prior to joining the Company, she served as chief financial officer at Huazhu Hotels Group (華住酒店集團) between December 2014 and March 2016, and at Home Inns Group (如家酒店集團) between March 2003 and May 2006. She was financial controller of Beijing Ctrip International Travel Agency Limited (北京攜程國際旅行社有限公司) between December 1999 and February 2003.

Directors, Supervisors and Senior Management

Yifan Li, aged 52, is an independent non-executive director, chairman of the Risk Management Committee, a member of the Audit Committee and the Related Transactions Control Committee of the Board of the Company. Mr. Li joined our Group in December 2016. Mr. Li obtained a bachelor's degree in economics from Fudan University (復旦大學) in July 1989, a master's degree in management and administration sciences from the University of Texas at Dallas (德克薩斯大學達拉斯分校) in May 1994 and a master of business administration degree from the University of Chicago (Booth School of Business) (芝加哥大學布斯商學院) in June 2000. Mr. Li has over 17 years of experience in finance. Mr. Li has been an independent non-executive director of Xinyuan Property Management Service (Cayman) Ltd. (鑫苑物業服務集團有限公司), a company listed on the Hong Kong Stock Exchange (Stock Code: 1895) since September 2019, an independent non-executive director of Frontage Holdings Corporation (方達控股公司), a company listed on the Hong Kong Stock Exchange (Stock Code: 1521) since April 2018, an independent director of Zhejiang Tiantie Industry Co., Ltd. (浙江天鐵實業股份有限公司), a company listed on the Shenzhen Stock Exchange ("**SZSE**") (SZSE Stock Code: 300587), since December 2017, an independent director of Qudian Group (趣店集團), a company listed on the NYSE (NYSE Stock Code: QD), since October 2017, an independent director of Shanghai International Port (Group) Co., Ltd. (上海國際港務 (集團) 股份有限公司), a company listed on the SSE (SSE Stock Code: 600018), since September 2015, an independent director of Heilongjiang Interchina Water Co., Ltd. (黑龍江國中水務股份有限公司), a company listed on the SSE (SSE Stock Code: 600187) since May 2015, and a vice president of Zhejiang Geely Holding Group Co., Ltd. (浙江吉利控股集團有限公司) since October 2014. Prior to that, Mr. Li served as a director of Zhejiang Qianjiang Motocycle Co., Ltd. (浙江錢江摩托股份有限公司), a company listed on the SZSE (SZSE Stock Code: 000913) between November 2016 and April 2018, a vice president and chief financial officer of Sanpower Group Limited (三胞集團有限公司) between April 2014 and September 2014, and a vice president and chief financial officer of China Zenix Auto International Limited (正興車輪集團有限公司) between December 2010 and February 2014. Mr. Li is a certified public accountant in the United States and a member of the Chartered Institute of Management Accountants.

Ying Wu (吳鷹), aged 60, is an independent non-executive director of the Company and a member of the Remuneration and Nomination Committee of the Board of the Company. Mr. Wu joined our Group in July 2017. Mr. Wu obtained a bachelor's degree in electronic engineering from the Beijing Institute of Technology (北京工業大學) in July 1982 and a master's degree in science from the New Jersey Institute of Technology (新澤西理工學院) in the United States in May 1988. Mr. Wu has over 30 years of experience in the telecom industry. Mr. Wu has been the president of CN Capital Management Limited (中澤嘉盟投資有限公司) from October 2008. Mr. Wu is currently the chairman of ZJBC Information Technology Co., Ltd. (中嘉博創信息技術股份有限公司), a company listed on the SZSE (Stock Code: 000889), an independent non-executive director of Zall Smart Commerce Group Ltd. (卓爾智聯集團有限公司), a company listed on the Hong Kong Stock Exchange (Stock Code: 2098), a director of HyUnion Holdings Co., Ltd. (海聯金匯科技股份有限公司), a company listed on the SZSE (Stock Code: 002537), and chairman of the board of supervisors of Huayi Brothers Media Corporation Ltd. (華誼兄弟傳媒股份有限公司), a company listed on the SZSE (SZSE Stock Code: 300027). Mr. Wu was an independent director of TCL Corporation Ltd. (TCL集團股份有限公司), a company listed on the SZSE (SZSE Stock Code: 000100), a director of Joyoung Co., Ltd. (九陽股份有限公司), a company listed on the SZSE (SZSE Stock Code: 002242), and an independent director of Guangzhou Tech-Long Packaging Machinery Co., Ltd. (廣州達意隆包裝機械股份有限公司), a company listed on the SZSE (SZSE Stock Code: 002209).

Wei Ou (歐偉), aged 62, is an independent non-executive Director and chairman of the Related Transactions Control Committee of the Board of the Company. Mr. Ou joined our Group in December 2019. Mr. Ou is a senior economist with a post-graduate diploma. Prior to joining our Group, Mr. Ou served as vice president of The People's Bank Of China, Dalian Branch, director of Liaoning Office and Henan Office of former China Insurance Regulatory Commission, general manager of China Property & Casualty Reinsurance Company Ltd., party secretary and president of China Continent Property & Casualty Insurance Company Ltd., and chairman of the supervisory committee of China Life Reinsurance Company Ltd..

Supervisors

Yuping Wen (温玉萍), aged 39, is the chairman of the Supervisor Committee. Ms. Wen joined our Group in November 2013. Ms. Wen obtained a master's degree in management from the Xi'an University of Architecture and Technology (西安建築科技大學) in July 2005. Ms. Wen has been a director and a chief financial officer in the financial affairs department of Cnhooray Internet Technology Co. Ltd. (深圳日訊網絡科技股份有限公司) since 2010.

Baoyan Gan (干寶雁), aged 45, is a Supervisor. Ms. Gan joined our Group in November 2014. Ms. Gan obtained a bachelor's degree in engineering from Tongji University (同濟大學) in July 1997. Ms. Gan has worked in the president's office at Luminggu Consultancy Management Co., Ltd. (鹿鳴谷諮詢管理有限公司) since June 2015. Prior to that, she worked in the president's office at Unifront Holding Limited (優孚控股有限公司) from March 2013.

Haijiao Liu (劉海姣), aged 34, is the employee representative Supervisor. She currently is the general manager of ZhongAn Technology. Ms. Liu joined the Company in April 2013 as the person-in-charge of health insurance business department of the Company. Ms. Liu obtained a bachelor's degree in marketing from Shanghai University of Finance and Economics (上海財經大學), and a master of business administration from China Europe International Business School.

Senior Management

Xing Jiang (姜興), aged 42, is the acting general manager and chief executive officer of the Company, and an executive director and legal representative of ZhongAn Technology, a subsidiary of the Company. Mr. Jiang joined the Company in April 2014, and is primarily responsible for the overall management of the Company and oversees day-to-day operations at the Company. Mr. Jiang obtained a bachelor's degree of engineering in computer and applications from the Hunan Finance and Economics Institute (湖南財經學院) (which, as at July 18, 2019, has merged with Hunan University into the current Hunan University) in July 1999. He was in charge of the insurance division at Zhejiang Rongxin Internet Technology Co., Ltd. (浙江融信網絡技術有限公司), which is wholly-owned by Ant Financial, a substantial shareholder of the Company, from December 2013 to March 2014. From January 2011 to March 2012, he was a senior director at Alibaba (China) Network Technology Co., Ltd. (阿里巴巴 (中國) 網絡技術有限公司).

Min Wang (王敏), aged 34, is the executive vice general manager of the Company and the secretary of the Board, in charge of the office of the Board, the strategic development department, the retail finance planning department, the retail finance business department, the actuarial department, the reinsurance department, the risk management department and the internal audit department. His responsibilities include new business incubation work and assisting the general manager. He is also an executive director and general manager of ZhongAn Online Insurance Brokers Co., Ltd (眾安在綫保險經紀有限公司). Mr. Wang obtained a bachelor's degree in economics and master's degree in economics from Nankai University (南開大學) in July 2008 and July 2010 respectively, and has obtained a doctorate degree from the Central Party School (中共中央黨校) in July 2018. He has worked in insurance supervision at the CIRC, where he was involved in the development of a number of insurance regulatory measures and became familiar with insurance regulations and industry operations.

Francis Yui Man Tang (鄧鋭民), aged 56, is the vice general manager and the chief financial officer of our Company, in charge of the Company's finance department and investor relations department. Mr. Tang joined our Group in July 2017. Mr. Yui Man Tang obtained a bachelor's degree in computer science from the University of Victoria (維多利亞大學) in Canada and a master's degree in business administration from The City University of New York (紐約市立大學) in USA in 1986 and 1990 respectively. Mr. Tang has worked in finance and corporate management for many years and has extensive financial and management experience.

Yongbo Zhang (張勇博), aged 41, is the vice general manager, the compliance director, the chief legal officer and the chief risk management officer of our Company. Mr. Zhang joined our Group in May 2013. He is primarily responsible for overseeing compliance and legal affairs, corporate governance and securities affairs and risk management of the Company. Mr. Zhang obtained a master's degree in international economic law from the East China University of Political Science and Law (華東法政大學) in December 2007. Mr. Zhang served as a legal officer of Yongcheng Property Insurance Co., Ltd (永誠財產保險股份有限公司) between 2011 and 2013. Prior to that, he was involved in compliance matters at Manulife-Sinochem Life Co., Ltd. (中宏人壽保險有限公司) from February 2007 to February 2011. Mr. Zhang has been an accredited lawyer in the PRC since March 2001.

Gaofeng Li (李高峰), aged 42, is the vice general manager and the chief investment officer of our Company, responsible for the management of our Company's assets and related duties. Mr. Li studied computer science and technology at Tianjin University and obtained his bachelor's degree in engineering in June 2000. Mr. Li has extensive experience in the financial industry and nearly 20 years of management experience, and has an in-depth understanding of China's capital markets. Prior

Directors, Supervisors and Senior Management

to joining our Group, he has served as the head of Everbright Securities Co., Ltd's (光大證券股份有限公司) Chengdu business department from December 2003 to July 2007, the vice general manager of Cinda Securities Co., Ltd's (信達證券股份有限公司) marketing service center from July 2007 to January 2013, as well as the vice general manager, assistant general manager and secretary of the board of directors of Everbright Yongming Asset Management Co., Ltd (光大永明資產管理股份有限公司) from January 2013 to April 2018.

Ge Lin (林革), aged 49, is the vice general manager of our Company, responsible for our Company's auto insurance business. Mr. Lin graduated from Jilin University of Technology with a bachelor's degree in automotive design in June 1993. Prior to joining our Group, Mr Lin has had many years of experience in the auto insurance industry. He has served several positions at Ping An P&C – as general manager of its Xiamen branch from May 2003 to September 2011, concurrently as vice general manager of its new channel division, general manager of its online sales center and general manager of its southern district telemarking center from September 2011 to February 2017, and as general manager of its united auto insurance department from February 2017 to April 2019.

Hai Lin (林海), aged 47, is the chief actuary of our Company, responsible for our Company's actuarial management duties and reinsurance business. Mr. Lin graduated with a bachelor's degree in science from Fudan University in 1996 and a master's degree in business administration from Shanghai Jiaotong University in 2004. He served as actuarial director at Guangbo Business Consulting (Shanghai) (光博商務諮詢 (上海)) from June 2015 to September 2018, and as chief actuary or as head of the actuarial department in multiple insurance companies including Yanzhao Property Insurance Co., Ltd (燕趙財產保險股份有限公司) from September 2018 to March 2019, Tianan Property Insurance Co., Ltd (天安財產保險股份有限公司) from January 2014 to March 2015, Yongan Property Insurance Co,. Ltd (永安財產保險股份有限公司) from August 2011 to December 2013, and Bank of China Insurance Company Limited (中銀保險有限公司) from August 2004 to July 2011. He has more than 10 years of experience in actuarial management at the headquarters of property insurance companies.

Jingwei Zhang (張經緯), aged 36, is the audit director of our Company responsible for the internal audit work. Mr. Zhang joined our Group in November 2015. Mr. Zhang graduated from Shanghai University of Finance and Economics (上海財經大學) with a bachelor's degree in financial management. Mr. Zhang has more than 10 years of experience in auditing and management in the insurance and financial industry and served at PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所), the auditing department of Ernst & Young Hua Ming LLP (安永華明會計師事務所), Allianz China Life Insurance Company Limited (中德安聯人壽保險有限公司) and Sino-US United MetLife Insurance Company Limited (中美聯泰大都會人壽保險有限公司) responsible for audit management.

Lei Xiang (向雷), aged 40, is the assistant general manager and vice president of business in charge of the social network business department and the Internet financial business department of our Company and the supervisor of ZhongAn Information Technology Services Co., Ltd. (眾安資訊技術服務有限公司). Mr. Xiang joined our Group in January 2016. Mr. Lei graduated from South Central Institute for Nationalities (中南民族大學) with a bachelor's degree in science and has 18 years of experience in IT and Internet working. Mr. Lei has been awarded various scientific and technology advancement awards at the national and provincial level and from the Ministry of science and technology, was a visiting professor of Southwestern University of Finance and Economics (西南財經大學), enjoyed the senior talent allowance from the Chinese government and served as a vice president of Kingdee International Software Group Company Limited (金蝶國際軟體集團有限公司).

Rui Sun (孫睿), aged 36, is the financial director of our Company, responsible for our Company's financial matters. Mr. Sun graduated with a bachelor's degree in law from the Department of Social Work at Fudan University in July 2005. He has over 10 years of work experience in finance, having worked on technological research relating to U.S. and Hong Kong listings at Deloitte Touche Tomatsu from September 2005 to November 2016 and in other fields including mergers and acquisitions and anti-fraud.

Changes to Directors' information

Pursuant to Rule 13.51(B)(1) of the Listing Rules, the changes in information of Directors of the Company are set out below:

1. Jimmy Chi Ming Lai ceased to serve as a director of HowBuy Wealth Management Co., LTD. (好買財富管理股份有限公司), a company listed on the NEEQ (Stock Code: 834418), with effect from November 2019, and resigned as a non-executive Director and member of the investment strategy committee of the Company with effect from March 23, 2020.

2. Xiaoming Hu ceased to serve as a director of each of Sinosoft Technology Group Limited (中國擎天軟件科技集團有限公司), a company listed on the Hong Kong Stock Exchange (Stock Code: 1297), and China United Network Communications Group Co., Ltd. (中國聯合網絡通信集團有限公司), a company listed on the SSE (SSE Stock Code: 600050), with effect from July 2019.

3. Yifan Li has been serving as an independent non-executive director of Xinyuan Property Management Service (Cayman) Ltd. (鑫苑物業服務集團有限公司), a company listed on the Hong Kong Stock Exchange (Stock Code: 1895), since September 2019.

Save as mentioned above, there is no other change in the Directors' information required to be disclosed under Rule 13.51B(1) of the Listing Rules.

Corporate Governance Report

The Board of Directors is pleased to report to the Shareholders on the corporate governance of the Company for the year ended December 31, 2019.

Corporate Governance Practices

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures and to enhance the transparency and accountability of the Board to all Shareholders.

The Company has adopted the principles and code provisions of the CG Code as the basis of the Company's corporate governance practices. In the opinion of the Directors, throughout the year ended December 31, 2019, the Company has complied with all applicable code provisions set out in the CG Code.

Model Code for Securities Transactions

The Company has adopted the Model Code as the code of conduct regarding the Directors' dealings in the securities of the Company. Specific enquiry has been made of all the Directors and they have confirmed that they have complied with the Model Code throughout the year ended December 31, 2019.

Board of Directors

The Board currently comprises three executive Directors, five non-executive Directors and five independent non-executive Directors.

As at December 31, 2019, the details of the Board composition are as follows:

Name of Director	Membership of Board Committee(s)
Executive Directors	
Yaping Ou *(Chairman of the Board)*	Member of the Remuneration and Nomination Committee
Jin Chen	Chairman of the Investment Strategy Committee
Hugo Jin Yi Ou	Member of the Investment Strategy Committee
Non-executive Directors	
Xinyi Han	Member of the Investment Strategy Committee
Jimmy Chi Ming Lai	Member of the Investment Strategy Committee
Xiaoming Hu	Member of the Risk Management Committee
Liangxun Shi	Member of the Audit Committee
Ming Yin	Member of the Risk Management Committee
Independent Non-executive Directors	
Shuang Zhang	Chairman of the Remuneration and Nomination Committee
Hui Chen	Chairman of the Audit Committee and Member of the Related Transactions Control Committee
Yifan Li	Member of the Audit Committee and the Related Transactions Control Committee, and Chairman of the Risk Management Committee
Ying Wu	Member of the Remuneration and Nomination Committee
Wei Ou	Chairman of the Related Transactions Control Committee

Hugo Jin Yi Ou is the son of Yaping Ou. Save as disclosed, none of the members of the Board is related to one another.

The biography for each of the Directors is set out in the section headed "Directors, Supervisors and Senior Management" on pages 41 to 47 of this annual report.

Board Meetings

Code provision A.1.1 of the CG Code stipulates that Board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors entitled to be present, either in person or through electronic means of communications.

Apart from regular Board meetings, the chairman of the Board also held meetings with the independent non-executive Directors without the presence of executive Directors during the year.

A summary of the attendance record of the Directors at the Board meetings held during the year ended December 31, 2019 is set out in the table below:

Name of Directors	Number of meetings attended/held for the year ended December 31, 2019	Attendance rate
Executive Directors		
Yaping Ou	6/7	86%
Jin Chen	7/7	100%
Hugo Jin Yi Ou	7/7	100%
Non-executive Directors		
Xinyi Han	6/7	86%
Jimmy Chi Ming Lai	3/7	43%
Guoping Wang(1)	7/7	100%
Xiaoming Hu	6/7	86%
Fang Zheng(1)	7/7	100%
Liangxun Shi(2)	N/A(5)	N/A(5)
Ming Yin(2)	N/A(5)	N/A(5)
Independent Non-executive Directors		
Shuang Zhang	6/7	86%
Hui Chen	7/7	100%
Li Du(3)	6/7	86%
Yifan Li	5/7	71%
Ying Wu	7/7	100%
Wei Ou(4)	N/A(5)	N/A(5)

(1) Retired from the Board on November 18, 2019.

(2) Appointed to the Board on November 18, 2019.

(3) Retired from the Board on December 19, 2019.

(4) Appointed to the Board on December 19, 2019.

(5) The Board convened its last meeting during the year ended December 31, 2019 on November 8, 2019.

Corporate Governance Report

Chairman and Chief Executive Officer

The positions of Chairman and Chief Executive Officer are held by Yaping Ou and Xing Jiang, respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and the daily management and operations generally. The respective responsibilities are clearly defined and set out in writing.

Independent Non-executive Directors

During the year ended December 31, 2019, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Board has received from each of the independent non-executive Directors a written annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and considers each of them to be independent.

Appointment and Re-election of Directors

All the Directors are subject to retirement by rotation and re-election at annual general meeting. Directors shall be elected at the shareholders' general meeting with a term of office of three (3) years, however, pursuant to Article 180 of the Articles of Association, an independent non-executive Director shall serve no more than six (6) years. Upon expiry of the term, a Director shall be eligible to offer himself/herself for re-election and reappointment. In addition, any new Director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting and be eligible for re-election and reappointment.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company, and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and senior managements' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

Board Committees

The Board has established five committees, namely, the Audit Committee, the Risk Management Committee, the Remuneration and Nomination Committee, the Investment Strategy Committee and the Related Transactions Control Committee, for overseeing particular aspects of the Company's affairs. Each of these committees are established with defined responsibilities and duties. The terms of reference of the Audit Committee, the Risk Management Committee and the Remuneration and Nomination Committee are available on the websites of the Company and the Hong Kong Stock Exchange. The composition and duties of the Investment Strategy Committee and the Related Transactions Control Committee are set out in this corporate governance report.

Audit Committee

The Company has established an Audit Committee in compliance with Rule 3.21 of the Listing Rules and the CG Code. The primary duties of the Audit Committee are to supervise the risk management, internal control system, financial information disclosure and financial reporting matters.

As at December 31, 2019, the Audit Committee comprises Mr. Liangxun Shi, Mr. Yifan Li and Ms. Hui Chen. Ms. Hui Chen is the chairman of the Audit Committee.

During the year ended December 31, 2019, the Audit Committee convened 7 meetings. The attendance record of these meetings is set out in the table below:

Name of Committee Members	Number of meetings attended/held during the year ended December 31, 2019	Attendance rate
Yifan Li	5/7	71%
Hui Chen	7/7	100%
Guoping Wang(1)	7/7	100%
Liangxun Shi(2)	N/A(3)	N/A(3)

(1) Retired from the Board on November 18, 2019.

(2) Appointed to the Board on November 18, 2019.

(3) The Audit Committee convened its last meeting during the year ended December 31, 2019 on November 8, 2019.

During these meetings, the Audit Committee reviewed the annual results announcement and report of the Company for the year ended December 31, 2018 and the relevant financial disclosure, issues on operations and compliance control, the effectiveness of the risk management and internal control systems and the effectiveness of the internal audit function of the Company, scope of work and appointment of external auditors and non-audit related services, connected transactions, as well as arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also held 2 meetings with the external auditors without the presence of executive Directors during the year.

Corporate Governance Report

Risk Management Committee

The Company has established a Risk Management Committee which is responsible for advising the Board on the overall risk appetite/tolerance and risk management strategies of the Company, overseeing senior management's implementation of those strategies established and approved by the Board and providing an independent review of the effectiveness of the strategies adopted to ensure that it aligned with the Company's overall business objectives.

As at December 31, 2019, the Risk Management Committee comprises Mr. Yifan Li, Mr. Ming Yin and Mr. Xiaoming Hu. From January 1, 2019 to November 18, 2019, Mr. Fang Zheng was the chairman of the Risk Management Committee. Mr. Yifan Li is the chairman of the Risk Management Committee from November 19, 2019.

During the year ended December 31, 2019, the Risk Management Committee convened 6 meetings. The attendance record of these meetings is set out in the table below:

Name of Committee Members	Number of meetings attended/held during the year ended December 31, 2019	Attendance rate
Ying Wu	6/6	100%
Xiaoming Hu	5/6	83%
Fang Zheng(1)	6/6	100%
Yifan Li	N/A(3)	N/A(3)
Ming Yin(2)	N/A(3)	N/A(3)

(1) Retired from the Board on November 18, 2019.

(2) Appointed from the Board on November 18, 2019.

(3) The Risk Management Committee convened its last meeting during the year ended December 31, 2019 on 8 November 2019.

Taking into account the Company's overall risk appetite and all relevant risk-related matters encountered by the Company, the Risk Management Committee reviewed the overall risk management strategies and the adequacy and effectiveness of the risk management and internal control systems of the Company, during these meetings.

Remuneration and Nomination Committee

The Company established a Remuneration and Nomination Committee in compliance with Rule 3.25 of the Listing Rules and the relevant CG Codes. The terms of reference of the Remuneration and Nomination Committee are of no less exacting terms than those set out in the CG Codes. The primary functions of the Remuneration and Nomination Committee include overseeing and developing the process and policies relating to nomination and appointment and the remuneration of Directors, reviewing and making recommendations to the Board on appropriate candidates for directorships, Board composition and succession planning, assessing the independence of independent non-executive Directors and reviewing and making recommendations to the Board on remuneration packages of individual executive Directors and senior management.

In assessing the Board composition, the Remuneration and Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience. The Remuneration and Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Remuneration and Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria as set out in the Company's Director Nomination Policy necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

As at December 31, 2019, the Remuneration and Nomination Committee comprises Mr. Yaping Ou, Mr. Shuang Zhang and Mr. Ying Wu. Mr. Shuang Zhang is the chairman of the Remuneration and Nomination Committee.

During the year ended December 31, 2019, the Remuneration and Nomination Committee convened 7 meetings. The attendance record of these meetings is set out in the table below:

Name of Committee Members	Number of meetings attended/held during the year ended December 31, 2019	Attendance rate
Shuang Zhang	6/7	86%
Yaping Ou	6/7	86%
Li Du[1]	6/7	86%
Ying Wu	N/A[2]	N/A[2]

(1) Retired from the Board on December 19, 2019.

(2) The Remuneration and Nomination Committee convened its last meeting during the year ended December 31, 2019 on 8 November 2019.

During the meetings, the Remuneration and Nomination Committee reviewed the remuneration packages of the Directors and senior management of the Company, matters relating to the structure, size and composition of the Board and different aspects of the Directors by making reference to the factors and criteria set out in the Board Diversity Policy and the Director Nomination Policy, and the independence of the independent non-executive Directors.

Details of the remuneration payable to each Director of the Company for the year ended December 31, 2019 are set out in Note 16 to the Financial Statements.

The remuneration of the members of senior management by band for the year ended December 31, 2019 is set out below:

Remuneration bands (RMB)	Number of persons
0-1,000,000	2
1,000,000-2,000,000	7
2,000,000-3,000,000	0
Total	9

Board Diversity Policy

The Company has adopted a board diversity policy (the "**Diversity Policy**") which sets out the approach to achieve diversity of the Board and is available on the website of the Company. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Diversity Policy, the Remuneration and Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Remuneration and Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board will consider setting measurable objectives to implement the Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

The Remuneration and Nomination Committee will review the Diversity Policy, as appropriate, to ensure its effectiveness.

The Remuneration and Nomination Committee considered that the Board is sufficiently diverse.

Corporate Governance Report

Director Nomination Policy

On November 27, 2018, the Company adopted a Director Nomination Policy in accordance with the CG Code. The Director Nomination Policy sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Remuneration and Nomination Committee of the Company.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. During the year ended December 31, 2019, changes to the composition of the Board are set out in the section headed "Report of Directors" on pages 62 to 77 of this annual report.

Investment Strategy Committee

The Company has established an Investment Strategy Committee. The primary responsibilities of our Investment Strategy Committee include, among others, the following:

- to consider the management system for the use of insurance funds and to make recommendations to the Board;
- to make recommendations to the Board on the management of the use of insurance funds;
- to consider investment decision-making procedures and authorize mechanisms and make recommendations to the Board;
- to consider asset strategic allocation planning, annual investment plan and investment guidance and related adjustment plan;
- to consider major investment matters and make recommendations to the Board;
- to consider the investment strategy and operation plan of the new investment variety and make recommendations to the Board;
- to consider the use of performance appraisal system and submit recommendations to the Board;
- to consider the relevant management system of insurance assets and liabilities, and to establish and improve the management mechanism of assets and liabilities of the Company; and
- to promote the establishment of periodic risk analysis mechanism to prevent the risk of asset and liability mismatch.

As at December 31, 2019, the Investment Strategy Committee comprises Mr. Jin Chen, Mr. Xinyi Han, Mr. Jimmy Chi Ming Lai and Mr. Hugo Jin Yi Ou. Mr. Jin Chen is the chairman of the Investment Strategy Committee.

During the year ended December 31, 2019, the Investment Strategy Committee convened 5 meetings. The attendance record of these meetings is set out in the table below:

Name of Committee Members	Number of meetings attended/held during the year ended December 31, 2019	Attendance rate
Jin Chen	5/5	100%
Xinyi Han	4/5	80%
Jimmy Chi Ming Lai	3/5	60%
Hugo Jin Yi Ou	5/5	100%

During the meetings, the Investment Strategy Committee considered the regulations and management of the use of insurance funds, major investments and other matters and made relevant recommendations to the Board on the meetings.

Related Transactions Control Committee

The Company has established a Related Transactions Control Committee. The primary responsibilities of our Related Transactions Control Committee include, among others, the following:

- the determination of overall targets, basic policies and management systems for related transaction management;
- the review of significant related transactions, including but not limited to expressing opinions on the related transactions and matters that are required to be considered at the meetings of the Board of the Company under regulations and shall be submitted to the meetings of the Board or general meetings of the Company for approval, and providing written opinions on the compliance, fairness and necessity of significant related transactions and whether they harm the interests of insurance companies and consumers;
- the review of the relevant annual reports on the related transactions;
- the identification and maintenance of related parties, and the management, review, approval and risk control of related transactions;
- the coordination and management of the disclosure of related transaction information, so as to improve the transparency of related transactions; and
- Other duties and responsibilities that are required to be undertaken by the committee as stipulated by the regulatory authorities and other matters as required under the terms of reference for the Related Transactions Control Committee and assigned by the Board.

As at December 31, 2019, the Related Transactions Control Committee comprises Ms. Hui Chen, Mr. Yifan Li and Mr. Wei Ou. Mr. Wei Ou is the chairman of the Related Transactions Control Committee.

The Related Transactions Control Committee was established on November 8, 2019 and did not convene any meetings for the year ended December 31, 2019.

Corporate Governance Function

The Board is responsible for performing the functions set out in code provision D.3.1 of the CG Code.

The Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Dividend Policy

On November 27, 2018, the Company adopted a Dividend Policy in accordance with the CG Code. The Company does not have any pre-determined dividend payout ratio and intends to retain most, if not all, of available funds and any future earnings to operate and expand the business of the Company. The Dividend Policy outlines the following factors that the Board should take into account in determining any dividend for distribution to the Shareholders:

- earnings and financial condition;
- operating requirements;
- capital requirements and expenditure plans;
- financial results;
- cash flow situation;
- business conditions and strategies;
- interests of the Shareholders;

Corporate Governance Report

- any restrictions on payment of dividends; and
- any other factors that the Board may consider relevant.

Depending on the financial conditions of the Group and the conditions and factors as set out above, dividends may be proposed and/or declared by the Board during the financial year and any final dividend for a financial year will be subject to the Shareholders' approval.

Directors' Responsibility in Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2019.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Continuous Professional Development of Directors

Directors keep abreast of the responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for the Directors would be arranged and reading material on relevant topics would be provided to the Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended December 31, 2019, the Company organized a number of training sessions conducted by the Insurance Association of China for the Directors in respect of new taxation policies for the insurance industry, comprehensive budget management, in-depth interpretation of accounting standard IFRS9, reputational risk management for insurance companies, typical risk cases of claims in the property insurance industry, insurance capital and value management as well as compliance in the insurance industry. In addition, relevant reading materials including Directors' manual, legal and regulatory update and seminar handouts have been provided to the Directors for their reference and studying, to ensure that the Directors understand the business and operations of the Group and their duties and obligations.

During the year ended December 31, 2019, the following continuous professional training topics were offered to the Directors:

(A) Training courses, including but not limited to briefings, conferences, meetings and workshops

(B) Reading news, journals, magazines and/or other reading materials regarding legal and regulatory changes and matters of relevance to the Directors in discharging their duties

Name of Directors	Training received
Executive Directors	
Yaping Ou	A
Jin Chen	A
Hugo Jin Yi Ou	A
Non-executive Directors	
Xinyi Han	A
Jimmy Chi Ming Lai	A
Guoping Wang(1)	A
Xiaoming Hu	A
Fang Zheng(1)	A
Liangxun Shi(2)	A
Ming Yin(2)	A
Independent Non-executive Directors	
Shuang Zhang	A
Hui Chen	A
Li Du(3)	A
Yifan Li	A
Ying Wu	A
Wei Ou(4)	A

(1) Retired from the Board on November 18, 2019.

(2) Appointed to the Board on November 18, 2019.

(3) Retired from the Board on December 19, 2019.

(4) Appointed to the Board on December 19, 2019.

Auditors' Responsibility and Remuneration

The Company appointed PricewaterhouseCoopers, Certified Public Accountants, Hong Kong ("**PricewaterhouseCoopers**") as the external auditor for the year ended December 31, 2019. A statement by PricewaterhouseCoopers about their reporting responsibilities for the financial statements is included in the Independent Auditors' Report on pages 113 to 210.

Details of the fees paid/payable in respect of the audit and non-audit services provided by PricewaterhouseCoopers for the year ended December 31, 2019 are set out in the table below:

Services rendered for the Company	Fees paid and payable
	RMB'000
Audit services	11,927
Non-audit services	710
Total	12,637

Risk Management and Internal Controls

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee and Risk Management Committee are responsible for assisting the Board in leading the management and monitoring and overseeing the risk management and internal control systems through the internal audit department, and reporting and making recommendations to the Board where appropriate.

The internal audit department oversees the risk management and internal control systems under the supervision of the Audit Committee by performing independent audit on the effectiveness and completeness of the risk management and internal control systems. It identifies any material risks and makes recommendations on the improvement and rectification plans and measures and conducts follow-up audits with regard to the identified issues to ensure the planned remedial measures that have been duly implemented. The internal audit department operates independently from the Company's business centers and departments and directly reports the audit findings and follow-up status to the Audit Committee on a quarterly basis.

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended December 31, 2019.

The Company regulates the handling and dissemination of inside information as set out in various inside information disclosure procedures to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

The Board, as supported by the Audit Committee and Risk Management Committee as well as the management report and the internal audit findings by the internal audit department, conducted an annual review on the effectiveness of the risk management and internal control systems of the Group, including the financial, operational and compliance controls, for the year ended December 31, 2019, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

Arrangements are in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

Corporate Governance Report

Joint Company Secretaries

Yongbo Zhang (張勇博) and Ms. Ella Wai Yee Wong (黃慧兒) have been both appointed as the joint company secretaries of our Company. See disclosure in "Directors, Supervisors and Senior Management — Senior Management" in this annual report for the biography of Mr. Zhang.

Ella Wai Yee Wong, aged 44, is a Director of Corporate Services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services.

Ms. Wong has over 20 years of experience in the corporate services field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Wong is a Chartered Secretary, a Chartered Governance Professional and a Fellow of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators). Ms. Wong holds a Bachelor of Economics from The University of Hong Kong and a Postgraduate Diploma in Corporate Administration from the City University of Hong Kong.

For the year ended December 31, 2019, Mr. Zhang and Ms. Wong have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

Shareholders' Rights

Convening of extraordinary general meetings ("EGM") by Shareholders

Pursuant to Articles 70 and 73 of the Articles of Association, EGMs may be convened by any two or more Shareholders jointly holding 10% or more of the Company's issued shares carrying voting rights by signing a written requisition or several copies with the same format and content, and to illustrate the subject of the meetings. The Board shall convene an EGM as soon as possible upon receipt of the foresaid written requisition. The aforesaid number of shareholdings is calculated as at the date of the submission of the written requisition by the Shareholders. If the Board fails to issue a notice of convening such an EGM within thirty (30) days from the date of receipt of the aforesaid written requisition, the Shareholders who raise the requisition may themselves convene the EGM within four (4) months from the date of receipt of the requisition by the Board. The procedures of convening the EGM shall be similar as those of convening a shareholders' general meeting by the Board as far as possible. Shareholders should follow the requirements and procedures as set out in the Articles of Association for convening an EGM.

Putting forward proposals at Shareholders' general meetings

When a general meeting is held by the Company, the Board, the Supervisory Committee or Shareholder(s) who individually or jointly holding more than 3% of the Shares may propose resolutions in writing to the Company.

Shareholder(s) who individually or jointly holding more than 3% of the Shares may submit extra proposals in writing to the Board at least 10 days prior to the Shareholders' general meeting.

The contents of a proposal shall (i) be within the scope of duties and responsibilities of the Shareholders' general meeting, (ii) have definite topics and specific matters to be resolved on, and (iii) be in compliance with relevant requirements of the laws, administrative regulations and the Articles of Association.

Putting forward enquiries to the Board and contact details

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	4–5/F, Associate Mission Building 169 Yuanmingyuan Road Shanghai, PRC (For the attention of the Office of the Board of Directors)
Telephone:	021-60278677
Fax:	021-60272335
Email:	Dongshihui@zhongan.com

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. The information of the Shareholder(s) may be disclosed as required by law.

Communication with Shareholders and Investors Relations

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the Annual General Meeting, Directors (or their delegates as appropriate) will be available to meet Shareholders and answer their enquiries.

Changes in Constitutional Documents

The Company's existing Articles of Association, which are available for viewing on the websites of the Company and the Hong Kong Stock Exchange, were adopted on March 26, 2018 and there have no changes to the Articles of Association since then.

Report of Directors

The Board is pleased to present this Report of Directors together with the consolidated financial statements of the Group for the year ended December 31, 2019.

Directors

The Directors who held office during the year ended December 31, 2019 and up to the date of this annual report are:

Executive Directors:

Yaping Ou *(Chairman)*
Jin Chen
Hugo Jin Yi Ou

Non-executive Directors:

Xinyi Han
Jimmy Chi Ming Lai
Guoping Wang *(retired on November 18, 2019)*
Xiaoming Hu
Fang Zheng *(retired on November 18, 2019)*
Liangxun Shi *(appointed on November 18, 2019)*
Ming Yin *(appointed on November 18, 2019)*

Independent Non-executive Directors:

Shuang Zhang
Hui Chen
Li Du *(retired on December 19, 2019)*
Yifan Li
Ying Wu
Wei Ou *(appointed on December 19, 2019)*

Biographical details of the Directors and senior management of the Group are set out in the section headed "Directors, Supervisors and Senior Management" on pages 41 to 47 of this annual report.

Global Offering

The Company was incorporated in the PRC on October 9, 2013 and carries on business in Hong Kong as "ZA Online Fintech P & C". The Company's Shares were listed on the Main Board of the Hong Kong Stock Exchange on September 28, 2017.

Principal activities

The Company is an online Insuretech company incorporated in the PRC with limited liability. The Company offers extensive property and casualty insurance products, covering accident insurance, bond insurance, health insurance, liability insurance, credit insurance, cargo insurance, household property insurance, etc. We design and offer ecosystem-oriented insurance products and solutions, and incorporate our products into the scenarios-based customer experience process. We focus on the integration of our products into the various scenarios, so as to optimize customer experience. Customers may purchase our insurance products and solutions during various consumption scenarios in their daily lives through the internet.

An analysis of the principal activities of the Group during the year ended December 31, 2019 is set out in the sections headed "Message from the Chairman and CEO" on pages 6 to 11 and "Management Discussion and Analysis" on pages 15 to 40 of this annual report.

Business review

A fair review of the business of the Group as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group's financial performance, an indication of likely future developments in the Group's business and the Group's key relationships with its stakeholders who have a significant impact on the Group and on which the Group's success depends, is set out in the section headed "Management Discussion and Analysis" of this annual report. These discussions form part of this annual report. Events affecting the Company that have occurred since the end of the financial year are set out in the section headed "Events after the Reporting Period" in this annual report.

Report of Directors

Principal risks and uncertainties

Since establishment, we have gradually developed and improved a comprehensive risk management system in strict compliance with regulatory requirements and based on the strategic development needs of the Group. In 2016, we took initiative in building a risk-oriented solvency system ("C-Ross") and made continuous efforts in optimizing the risk control system and improving the business procedures, with an aim to prevent and resolve foreseeable risks in an effective manner. The major types of risks facing the Group include:

- Insurance risk: refers to the risk of adverse deviation of the actual loss ratio, expense ratio and surrender rate from expectations, which may cause potential losses to the Group.
- Market risk: refers to the risk of unexpected losses to the Group arising from unfavorable movements in interest rates, equity prices and foreign exchange rates. Fixed income investments held by the Group with a fixed maturity date and booked at fair value are exposed to the interest rate risk. Listed and unlisted equity investments held by the Group are exposed to market price risks. Foreign currency-denominated assets held by the Group are exposed to foreign exchange risks.
- Credit risk: refers to the risk of unexpected losses to the Group resulting from any failure or delay of debtors or counterparties to perform their contractual obligations or adverse changes in their credit profiles. The Group is exposed to credit risk primarily associated with the fixed income investment assets, reinsurance assets (including reinsurers' share of insurance contract provisions and reinsurance debtors) and premium receivables.
- Operational risk: refers to the risk of losses resulting from inadequate or flawed internal procedures, employees, information technology systems and external events.
- Strategic risk: refers to the risk of the Company's strategy not matching the market environment and the Company's capabilities due to ineffective development and implementation of the strategy or changes in the business environments.
- Reputation risk: refers to the risk of the Company's brand or reputation being damaged and other relevant losses caused by negative comments from stakeholders on the Company due to a defect in the Group's operation and management or an external event.
- Liquidity risk: refers to the risk of the Group being unable to obtain sufficient cash in time, or being unable to obtain sufficient cash in time at a reasonable cost, to repay debts that have become due or fulfill other payment obligations.

As an internet group, unlike traditional insurance companies, the Group has built up and served financial businesses and their ecosystems leveraging on new technologies. The Group made continuous efforts in improving risk management and technological strengths and optimizing the comprehensive risk management system by focusing on capital, adhering to the risk appetite-oriented principle and managing risks mainly through risk quantification tools (e.g. comprehensive budget, asset and liability management, capital planning and allocation and stress testing, etc.) and risk performance appraisal, with an aim to achieve a balance between risk management and business development as well as sound and solid implementation of the Group's strategies.

However, the above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares.

Employees

As at December 31, 2019, the Group had 2,898 employees (2018: 3,090). As of December 31, 2019, 2,046 of the Company's employees are primarily based at our headquarters in Shanghai, China, 150 of our employees are based in Hangzhou, China, 191 of our employees are primarily based in Beijing, China, 344 of our employees are primarily based in Shenzhen, China, 131 of our employees are primarily based in Hong Kong, China and the remaining are primarily based in Dalian, Chengdu and Chongqing, China. The following table sets forth the number of employees by function as of December 31, 2019:

Function	Number of Employees	% of Total
Management	59	2.04
Technology	1,248	43.06
Product Managers	344	11.87
Operations	374	12.91
Support	572	19.74
Sales and Marketing	278	9.59
General administrative	23	0.79
Total	2,898	100.00

The Company primarily recruits employees in China through recruitment agencies, internal referral, on-campus job fairs and online channels including our corporate website and social networking platforms. We have adopted a training policy, pursuant to which management, technology and other trainings are regularly provided to our employees by internally sourced speakers or externally hired consultants. Our employees may also attend external trainings upon their supervisors' approvals. We believe our lean structure and corporate culture have contributed to our ability to recruit and retain qualified employees.

As required under PRC regulations, we participate in various employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury and unemployment benefit plans. We are required under PRC laws to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time. Bonuses are generally discretionary and based in part on employee performance and in part on the overall performance of our business.

We believe that we maintain a good working relationship with our employees and we had not experienced any material labor disputes or any difficulty in recruiting staff for our operations during the year ended December 31, 2019 and up to the date of this annual report.

Major customers and suppliers

We define our customers as the insured under our insurance policies, including customers who choose to purchase our products, as well as customers who are allocated with our products by our ecosystem partners. For the year ended December 31, 2019, our top five policyholders combined accounted for approximately 2.4% of our GWP, while our top policyholder accounted for 0.7% of our GWP.

During the year ended December 31, 2019, our top five policyholders were independent third parties.

None of the Directors, their respective close associates, or any shareholder of the Company who, to the knowledge of the Directors, owns more than 5% of the Company's issued capital, has any interest in any of the Group's top five customers in respect of our business segments.

During the year ended December 31, 2019, the Group did not experience any significant disputes with its customers.

Due to the nature of the Group's business activities, the Group has no major suppliers.

Financial summary

A summary of the audited consolidated results and the assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 2 of this annual report. This summary does not form part of the audited consolidated financial statements.

Report of Directors

Subsidiaries

Particulars of the Company's subsidiaries are set out in Note 6 to the consolidated financial statements.

Share capital and Shares issued

Details of the share capital of the Company for the year ended December 31, 2019 are set out below.

Number	Class of Shares	Number of Shares	Approximate percentage of the Company's total issued share capital
1	Domestic Shares	1,000,000,000	68.04%
2	H Shares	469,812,900	31.96%
	Total	1,469,812,900	100%

Dividends

In order to retain resources for the Group's business development, the Board does not recommend the payment of a final dividend for the year ended December 31, 2019 (2018: nil).

Directors', Supervisors' and Chief Executive's interests and short positions in the Shares, underlying Shares and debentures of the Company and any associated corporation

As at December 31, 2019, the interests and short positions of the Directors, Supervisors and Chief Executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code are as follows:

Interest in the Company

Name of Director	Class of Shares	Nature of interest	Number of Shares	Approximate percentage in Shares of the same class(1)	Approximate percentage of the Company's total issued share capital(1)
Yaping Ou(2)	Domestic Shares	Interest of controlled corporation	81,000,000 (Long position)	8.10%	5.51%

Notes:

(1) The shareholding percentages are calculated on the basis of 1,000,000,000 Domestic Shares and 469,812,900 H Shares.

(2) Cnhooray Internet Technology Co. Ltd. (深圳日訊網絡科技股份有限公司) is a subsidiary of Timeway Holdings Limited (中宇集團有限公司). The entire interest of Timeway Holdings Limited (中宇集團有限公司) is held by Sinolink Worldwide which is listed on the Hong Kong Stock Exchange (Stock Code: 1168) and is owned by Asia Pacific Promotion Limited, a company wholly owned by Mr. Yaping Ou, as to approximately 45.10%. As such, Timeway Holdings Limited (中宇集團有限公司), Sinolink Worldwide, Asia Pacific Promotion Limited and Mr. Yaping Ou are deemed to be interested in the Shares held by Cnhooray Internet Technology Co. Ltd. (深圳日訊網絡科技股份有限公司).

Save as disclosed above, as at December 31, 2019, so far as is known to any Director, Supervisor or the Chief Executive of the Company, none of the Directors, the Supervisors and the Chief Executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Part XV of the SFO (including the interests and short positions which the Director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

Substantial shareholders' and other persons' interests and short positions in the Shares and underlying Shares of the Company

As at December 31, 2019, within the knowledge of the Directors, the following persons (other than the Directors, the Supervisors and the Chief Executive of the Company) had an interest or a short position in the Shares or underlying Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Class of Shares	Nature of interest	Number of Shares[1]	Approximate percentage in Shares of the same class[2]	Approximate percentage of the Company's total issued share capital[2]
Ant Financial[3]	Domestic Shares	Beneficial interest	199,000,000	19.90%	13.54%
Hangzhou Yunbo Investment Consulting Co., Ltd.[3]	Domestic Shares	Interest of controlled corporation	199,000,000	19.90%	13.54%
Yun Ma[3]	Domestic Shares	Interest of controlled corporation	199,000,000	19.90%	13.54%
Tencent Computer System[4]	Domestic Shares	Beneficial interest	150,000,000	15.00%	10.21%
Huateng Ma[4]	Domestic Shares	Interest of controlled corporation	150,000,000	15.00%	10.21%
Tencent Holdings Limited[4]	Domestic Shares	Interest of controlled corporation	150,000,000	15.00%	10.21%
Ping An Insurance [5]	Domestic Shares	Beneficial interest	150,000,000	15.00%	10.21%
Shenzhen Jia De Xin Investment Limited[6]	Domestic Shares	Beneficial interest	140,000,000	14.00%	9.53%
Shenzhen Huaxinlian Investment Limited[6]	Domestic Shares	Interest of controlled corporation	140,000,000	14.00%	9.53%
Yafei Ou[6]	Domestic Shares	Interest of controlled corporation	140,000,000	14.00%	9.53%
Unifront Holding Limited[7]	Domestic Shares	Beneficial interest	90,000,000	9.00%	6.12%
Shanghai Songlu Investment Management Co., Ltd.[7]	Domestic Shares	Interest of controlled corporation	90,000,000	9.00%	6.12%
Shanghai Jianglu Investment Management Co., Ltd. [7]	Domestic Shares	Interest of controlled corporation	90,000,000	9.00%	6.12%

Report of Directors

Name of Shareholder	Class of Shares	Nature of interest	Number of Shares[1]	Approximate percentage in Shares of the same class[2]	Approximate percentage of the Company's total issued share capital[2]
Shanghai Xinlu Investment Management Co., Ltd.[7]	Domestic Shares	Interest of controlled corporation	90,000,000	9.00%	6.12%
Shanghai Youlu Investment Management Co., Ltd.[7]	Domestic Shares	Interest of controlled corporation	90,000,000	9.00%	6.12%
Zhen Zhang[7]	Domestic Shares	Interest of controlled corporation	90,000,000	9.00%	6.12%
Cnhooray Internet Technology Co. Ltd.[8]	Domestic Shares	Beneficial interest	81,000,000	8.10%	5.51%
Timeway Holdings Limited[8]	Domestic Shares	Interest of controlled corporation	81,000,000	8.10%	5.51%
Sinolink Worldwide[8]	Domestic Shares	Interest of controlled corporation	81,000,000	8.10%	5.51%
Asia Pacific Promotion Limited[8]	Domestic Shares	Interest of controlled corporation	81,000,000	8.10%	5.51%
Qingdao Huilijun Trading Company Limited[9]	Domestic Shares	Beneficial interest	50,000,000	5.00%	3.40%
Gongqingcheng Shengchuang Investment Partnership (Limited Partnership)[9]	Domestic Shares	Interest of controlled corporation	50,000,000	5.00%	3.40%
Shengchuang Weiye (Xiamen) Equity Investment Fund Management Limited[9]	Domestic Shares	Interest of controlled corporation	50,000,000	5.00%	3.40%
Shenzhen Qianhai Lihui Fund Management Limited[9]	Domestic Shares	Interest of controlled corporation	50,000,000	5.00%	3.40%
Yu Chen [9]	Domestic Shares	Interest of controlled corporation	50,000,000	5.00%	3.40%
Zuojie Peng [9]	Domestic Shares	Interest of controlled corporation	50,000,000	5.00%	3.40%
Shanghai Yuanqiang Investment Company Limited[10]	Domestic Shares	Beneficial interest	50,000,000	5.00%	3.40%
Song Zou [10]	Domestic Shares	Interest of controlled corporation	50,000,000	5.00%	3.40%

Name of Shareholder	Class of Shares	Nature of interest	Number of Shares[1]	Approximate percentage in Shares of the same class[2]	Approximate percentage of the Company's total issued share capital[2]
Keywise ZA Investment[11]	H Shares	Trustee	42,642,792	9.07%	2.90%
Fang Zheng[11]	H Shares	Interest of controlled corporation	42,642,792	9.07%	2.90%
SVF Zen Subco (Singapore) Pte. Ltd.[12]	H Shares	Beneficial interest	71,909,800	15.30%	4.89%
SVF Holdco (Singapore) Pte. Ltd.[12]	H Shares	Interest of controlled corporation	71,909,800	15.30%	4.89%
SVF Holdings (Cayman) Ltd.[12]	H Shares	Interest of controlled corporation	71,909,800	15.30%	4.89%
SVF Holdings (UK) LLP[12]	H Shares	Interest of controlled corporation	71,909,800	15.30%	4.89%
SoftBank Vision Fund L.P.[12]	H Shares	Interest of controlled corporation	71,909,800	15.30%	4.89%
Vision Technology Investment Company[12]	H Shares	Interest of controlled corporation	71,909,800	15.30%	4.89%
Public Investment Fund[12]	H Shares	Interest of controlled corporation	71,909,800	15.30%	4.89%
SVF GP (Jersey) Limited[12]	H Shares	Interest of controlled corporation	71,909,800	15.30%	4.89%
Softbank Group Corp.[12]	H Shares	Interest of controlled corporation	71,909,800	15.30%	4.89%

Notes:

(1) All the Shares are held in long position (as defined under Part XV of the SFO) unless otherwise specified.

(2) The shareholding percentages are calculated on the basis of 1,000,000,000 Domestic Shares and 469,812,900 H Shares.

(3) Hangzhou Junao Equity Investments Partnership (Limited Partnership) (杭州君澳股權投資合夥企業(有限合夥)) ("**Hangzhou Junao**") holds 21.53% shares in Ant Financial and Hangzhou Junhan Equity Investments Partnership (Limited Partnership) (杭州君瀚股權投資合夥企業(有限合夥)) ("**Hangzhou Junhan**") holds 28.45% shares in Ant Financial. The voting rights of both Hangzhou Junao and Hangzhou Junhan in Ant Financial are controlled by their general partner, Hangzhou Yunbo Investment Consulting Co., Ltd. (杭州雲鉑投資諮詢有限公司) ("**Hangzhou Yunbo**"). As such, Hangzhou Yunbo is deemed to be interested in the Shares held by Ant Financial. As Hangzhou Yunbo is entirely owned by Yun Ma (馬雲), Yun Ma (馬雲) is deemed to be interested in the Shares held by Ant Financial.

(4) Tencent Computer System is a consolidated affiliated entity (through contractual arrangements) of Tencent Holdings Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 0700), and is one of its principal PRC domestic operating entities. Tencent Computer System is a leading provider of Internet value-added services in the PRC and a clear holder of the Company's Shares. As such, Tencent Holdings Limited is deemed to be interested in the Shares held by Tencent Computer System. Huateng Ma (馬化騰) holds 54.29% shares in Tencent Computer System.

(5) Ping An Insurance is a joint-stock company incorporated in the PRC and listed on the Hong Kong Stock Exchange (Stock Code: 2318) and the SSE (Stock Code: 601318).

(6) Shenzhen Jia De Xin Investment Limited (深圳市加德信投資有限公司) is a subsidiary of Shenzhen Huaxinlian Investment Limited (深圳市華信聯投資有限公司). As such, Shenzhen Huaxinlian Investment Limited is deemed to be interested in the Shares held by Shenzhen Jia De Xin Investment Limited. Shenzhen Huaxinlian Investment Limited is controlled by Yafei Ou (歐亞非). As such, Yafei Ou (歐亞非) is deemed to be interested in the Shares held by Shenzhen Jia De Xin Investment Limited.

(7) Unifront Holding Limited (優孚控股有限公司) is owned by Shanghai Songlu Investment Management Co., Ltd. (上海松鹿投資管理有限公司) as to 25.00%, Shanghai Jianglu Investment Management Co., Ltd. (上海江鹿投資管理有限公司) as to 16.90% and Shanghai Xinlu Investment Management Co., Ltd. (上海鑫鹿投資管理有限公司) as to 13.10%. The entire interest of Shanghai Songlu Investment Management Co., Ltd., Shanghai Jianglu Investment Management Co., Ltd. and Shanghai Xinlu Investment Management Co., Ltd. are held by Shanghai Youlu Investment Management Co., Ltd. (上海游鹿投資管理有限公司), which in turn is controlled by Zhen Zhang (張真). As such, Shanghai Youlu Investment Management Co., Ltd., Shanghai Songlu Investment Management Co., Ltd., Shanghai Jianglu Investment Management Co., Ltd. and Shanghai Xinlu Investment Management Co., Ltd. are deemed to be interested in the Shares held by Unifront Holding Limited. As such, Zhen Zhang (張真) is deemed to be interested in the Shares held by Unifront Holding Limited.

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(8) Cnhooray Internet Technology Co. Ltd. (深圳日訊網絡科技股份有限公司) is a subsidiary of Timeway Holdings Limited (中宇集團有限公司). The entire interest of Timeway Holdings Limited (中宇集團有限公司) is held by Sinolink Worldwide. Sinolink Worldwide is held by Asia Pacific Promotion Limited (a company wholly owned by Mr. Yaping Ou) as to approximately 45.10%. As such, Timeway Holdings Limited (中宇集團有限公司), Sinolink Worldwide, Asia Pacific Promotion Limited and Mr. Yaping Ou are deemed to be interested in the Shares held by Cnhooray Internet Technology Co. Ltd. (深圳日訊網絡科技股份有限公司).

(9) Qingdao Huilijun Trading Company Limited (青島惠麗君貿易有限公司) is a subsidiary of Gongqingcheng Shengchuang Investment Partnership (Limited Partnership) (共青城盛創投資合夥企業 (有限合夥)). The general partner of Gongqingcheng Shengchuang Investment Partnership (Limited Partnership) (共青城盛創投資合夥企業 (有限合夥)) is Shengchuang Weiye (Xiamen) Equity Investment Fund Management Limited (盛創偉業(廈門) 股權投資基金管理有限公司), which is wholly owned by Shenzhen Qianhai Lihui Fund Management Limited (深圳前海力匯基金管理有限公司). Each of Yu Chen (陳宇) and Zuojie Peng (彭作傑) holds 50.00% of Shenzhen Qianhai Lihui Fund Management Limited (深圳前海力匯基金管理有限公司). As such, Gongqingcheng Shengchuang Investment Partnership (Limited Partnership) (共青城盛創投資合夥企業 (有限合夥)), Shengchuang Weiye (Xiamen) Equity Investment Fund Management Limited (盛創偉業 (廈門) 股權投資基金管理有限公司), Shenzhen Qianhai Lihui Fund Management Limited (深圳前海力匯基金管理有限公司), Yu Chen (陳宇) and Zuojie Peng (彭作傑) are deemed to be interested in the Shares held by Qingdao Huilijun Trading Company Limited (青島惠麗君貿易有限公司).

(10) Shanghai Yuanqiang Investment Company Limited (上海遠強投資有限公司) is owned by Song Zou (鄒松) as to 80.00%. As such, Song Zou (鄒松) is deemed to be interested in the Shares held by Shanghai Yuanqiang Investment Company Limited (上海遠強投資有限公司).

(11) Keywise ZA Investment is an investment of Keywise Greater China Opportunities Master Fund. The investment advisor of Keywise Fund is Keywise Capital Management (HK) Limited which in turn owns 23.00% interest in Keywise ZA Investment. Other investors own 77.00% interest in Keywise ZA Investment. Keywise ZA Investment is accustomed to taking instructions from Mr. Fang Zheng. As such, Mr. Fang Zheng is deemed to be interested in the Shares held by Keywise ZA Investment.

(12) SVF Zen Subco (Singapore) Pte. Ltd. is a wholly owned subsidiary of SVF Holdco (Singapore) Pte. Ltd., which is wholly owned by SVF Holdings (Cayman) Ltd.. SVF Holdings (Cayman) Ltd. is a wholly owned subsidiary of SVF Holdings (UK) LLP, which is wholly owned by SoftBank Vision Fund L.P., which is owned by Vision Technology Investment Company as to 48.31%. Vision Technology Investment Company is wholly owned by Public Investment Fund. The general partner of SoftBank Vision Fund L.P. is SVF GP (Jersey) Limited and the ultimate parent company is SoftBank Group Corp., which is a Japanese corporation listed on the Tokyo Stock Exchange (Stock Code: 9984).

Save as disclosed above, according to the register kept by the Company under Section 336 of the SFO, there was no other person who had a substantial interest or short positions in the Shares or underlying Shares as at December 31, 2019.

Directors' rights to acquire Shares or debentures

At no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

Emolument policy and Directors' remuneration

In compliance with the CG Code as set out in Appendix 14 to the Listing Rules, the Company has established the Remuneration and Nomination Committee to formulate remuneration policies. The remuneration is determined and recommended based on each Director's and senior management personnel's qualification, position and seniority. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the Remuneration and Nomination Committee. Details of the remuneration of the Directors and the five highest paid individuals are set out in Notes 16 and 17 to the consolidated financial statements.

None of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

The overall status of related party transactions for the year according to industry regulations

In September 2019, in accordance with the requirements of the Measures on the Administration of Related Party Transactions of Insurance Companies (《保險公司關聯交易管理辦法》) (Yin Bao Jian Fa [2019] No.35) issued by the CBIRC, the Company made amendments to the Management Regulations for Related Party Transactions (《關聯交易管理規定》) of the Company, established its Related Transactions Control Committee under the Board to coordinate the management of related party transactions of the Company, and established an inter-departmental Related Party Transaction Management Office under the Related Transactions Control Committee to take charge of the daily management and affairs of related party transactions.

During the Reporting Period, the related party transactions of the Company were mainly transactions between the Company and related parties for use of funds, insurance business, interest transfer and provision of goods or services.

During the Reporting Period, the management structure of related party transactions of the Company was well-established, the pricing of related party transactions was fair and reasonable, and the identification, review, disclosure and reporting of related party transactions were in compliance with applicable laws and regulations.

Connected transactions

During the year ended December 31, 2019, the Group engaged in certain transactions with the following persons that constituted connected transactions ("**Connected Transactions**") under the Listing Rules:

- Our Directors and Supervisors and certain associates of our Directors and Supervisors: Pursuant to Rules 14A.07(1), 14A.07(3) and 14A.12 of the Listing Rules, Directors and Supervisors and their associates are connected persons of the Company.
- Mr. Yaping Ou, an executive Director and chairman of the Board. Mr. Ou is interested in approximately 45.11% of Sinolink Worldwide. Pursuant to Rule 14A.12 of the Listing Rules, Sinolink Worldwide is an associate of Mr. Yaping Ou. Pursuant to Rule 14A.07(4) of the Listing Rules, an "associate" of a director is a "connected person" of the Company. Any transaction between the Company and Sinolink Worldwide is accordingly a connected transaction.

1. Joint Venture with Sinolink Worldwide

On December 8, 2017, ZhongAn Technology entered into a joint venture agreement with Sinolink Worldwide to jointly invest in a joint venture (the "**JVCo**") which will be ZhongAn Technology's platform for international development for the purpose of exploring international business development, collaboration and investment opportunities in the areas of Fintech and Insurtech in overseas market (the "**Joint Venture Agreement**"). The transaction constitutes a connected transaction under the Listing Rules. On March 28, 2018, ZhongAn Technology and Sinolink Worldwide (collectively, the "**JV Parties**") entered into an amendment agreement pursuant to which the JV Parties agreed to amend certain terms of the Joint Venture Agreement. Further details of the transaction are set out in the Company's announcements dated December 8, 2017 and March 28, 2018.

On July 18, 2019, ZhongAn Technology entered into a share subscription agreement with Sinolink Worldwide and JVCo, pursuant to which (1) ZhongAn Technology conditionally agreed to subscribe for, and JVCo conditionally agreed to allot and issue, an aggregate of 1,020,000,000 new JVCo ordinary shares for a total subscription price of RMB1,000,000,000 payable in cash, and (2) Sinolink Worldwide conditionally agreed to subscribe for, and JVCo conditionally agreed to allot and issue, an aggregate of 980,000,000 new JVCo ordinary shares for a total subscription price of RMB960,784,313.73 payable in cash. Further details of the transaction are set out in the Company's announcements dated July 18, 2019.

Continuing connected transactions

During the year ended December 31, 2019, the Group engaged in certain transactions with the following persons that constituted continuing connected transactions under the Listing Rules ("**Continuing Connected Transactions**") of:

- Our Directors and Supervisors and certain associates of our Directors and Supervisors: Pursuant to Rules 14A.07(1), 14A.07(3) and 14A.12 of the Listing Rules, Directors and Supervisors and their associates are connected persons of the Company.
- Mr. Yaping Ou, an executive Director and chairman of the Board. Mr. Ou is interested in approximately 45.11% of Sinolink Worldwide. Pursuant to Rule 14A.12 of the Listing Rules, Sinolink Worldwide is an associate of Mr. Yaping Ou. Pursuant to Rule 14A.07(4) of the Listing Rules, an "associate" of a director is a "connected person" of the Company. Any transaction between the Company and Sinolink Worldwide is accordingly a connected transaction.
- Ant Financial Group is considered a "connected person" under the Listing Rules by virtue of it being a substantial Shareholder holding 13.54% of the Shares. Pursuant to Rules 14A.07(1), 14A.07(4) and 14A.13 of the Listing Rules, any transaction between the Company and Ant Financial and its subsidiaries are considered as connected transactions.
- By virtue of it controlling the exercise of 10.21% of the voting power of the Company through Tencent Computer System, Tencent is considered a "connected person" and a substantial Shareholder under Rule 14A.07(1) of the Listing Rules. Pursuant to Rules 14A.07(4) and 14A.13 of the Listing Rules, Tencent Computer System and their respective associates are considered as "connected persons" of the Company. Accordingly, any transaction between the Company and Tencent, Tencent Computer System and their respective associates are considered as connected transactions.

Report of Directors

- Ping An Group is considered a "connected person" under the Listing Rules by virtue of it being a substantial Shareholder holding 10.21% of the Shares. Pursuant to Rules 14A.07(1),14A.07(4) and 14A.13 of the Listing Rules, any transaction between the Company and Ping An Insurance and its associates are considered as connected transactions.

Set out below is a summary of the non-exempt Continuing Connected Transactions of the Group for the year ended December 31, 2019, which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. Continuing connected transactions with Sinolink Worldwide and its subsidiaries

Provision of insurance products to Sinolink Worldwide and its subsidiaries by us

We and Sinolink Worldwide entered into a framework agreement for the provision of corporate insurance products by us to Sinolink Worldwide ("**Insurance Products Framework Agreement**"). The Insurance Products Framework Agreement is for a term of 3 years commencing on the Listing Date. Relevant subsidiaries which are subsidiaries of Sinolink Worldwide will enter into separate agreements with us which will set out the specific terms and conditions (including pricing) according to normal commercial terms.

Reasons for the Transaction

We are one of only four companies with an online insurance license in China and it is in our ordinary course of business to provide innovative corporate insurance products to all types of organizations. The subsidiaries of Sinolink Worldwide conduct a variety of financial services that require our insurance service and it is beneficial to us to expand our business into the financial industry.

Pricing Policies

The premiums received by us are comparable to those paid by independent third parties for similar types of insurance products or to the prevailing market prices. For pricing of the premiums we take into account the risk portfolio of the product itself, the product expense ratio and market competitive prices. They are determined after careful examination and verification by our business management committee of the department. Members of the committee conduct market analysis and various other procedures to determine all aspects of the product including the pricing. These prices must conform with the terms and regulations set by our Company and be approved by other relevant departments such as the actuary department and the operations management centre. Premium rates of these products are either approved by or filed with the CBIRC. For example, in accordance with the CBIRC filing, for corporate accounts receivable credit insurance, the total premium we charge is based on the following formula:

Insurance Coverage x Fixed Ratio x Floating Ratio

The Fixed Ratio ranges between 0.33% to 0.88% for products with different underlying assets duration. The Floating Ratio is calculated based on a number of factors regarding the insured corporate, including its corporate nature, risk management level and loss history, generally this would be no less than 0.3.

The below table sets out the comparison between the annual cap and actual transaction amount of the continuing connected transactions with Sinolink Worldwide for the year ended December 31, 2019:

Name	Type of transaction	Annual cap for the year ended December 31, 2019 (RMB thousand)	Transaction amount for the year ended December 31, 2019 (RMB thousand)
Sinolink Worldwide	Provision of insurance products to Sinolink Worldwide and its subsidiaries by us	120,000	300

2. Continuing connected transactions with Associates of Tencent

(a) Provision of insurance products to associates of Tencent by us

The following agreements we have entered into with associates of Tencent were in force during the Reporting Period:

(i) two agreements with Tencent Technology entered into on May 28, 2018 and May 21, 2019, pursuant to which the Company agreed to provide comprehensive insurance services to employees of Tencent Technology; and

(ii) two agreements entered into on August 6, 2019 with WeBank, which is also a connected person of the Company, pursuant to which the Company agreed to provide medical healthcare, disease and accident insurance policy for employees (including senior management personnel) of WeBank and their immediate family member.

Each agreement has a duration of one year. The agreements provide different insurance plans for different levels of employees of these entities. Each plan has its specific premium calculations, and injury and disability assessment standards. We receive a premium from associates of Tencent according to the premium schedule under each plan. Further details of the agreements can be found in the Company's announcement dated August 6, 2019.

Reasons for the Transaction

We are one of only four companies with an online insurance license in China and it is in our ordinary course of our business to provide different types of insurance products to a wide range of clients. This includes corporate clients that purchase insurance plans for their employees. It is beneficial to the Company to provide these insurance products to large corporations that have a large number of employees, such as Tencent and its associates.

We provide a wide range of insurance products in the ordinary and usual course of our business to associates of Tencent. Specifically, associates of Tencent purchase accident injury insurance and disease, death and disability insurance products from us for their employees. These insurance product agreements were entered into between us and these entities at arm's length. Associates of Tencent do not receive any preferential treatment for purchasing these insurance products. It is beneficial to us to provide these insurance products to large corporations that have a large number of employees, such as Tencent and its associates, which have a large number of employees.

Pricing Policies

The premiums received by us are comparable to those paid by independent third parties for similar types of insurance products or to the prevailing market prices. For pricing of the premiums we take into account the risk portfolio of the product itself, the product expense ratio and market competitive prices. The total premium under the policies is also based on the cover period and the number of employees covered during the period, and is adjusted in accordance with the employment period of the insured company's employees. They are determined after careful examination and verification by our business management committee of the department. Members of the committee conduct market analysis and various other procedures to determine all aspects of the product including the pricing. These prices must conform with the terms and regulations set by our Company and be approved by other relevant departments such as the actuary department and the operations management centre. Premium rates of these products are either approved by or filed with the CBIRC.

(b) Online platform cooperation agreement between associates of Tencent Computer System and us

We entered into two agreements with one of Tencent Computer System's associates on April 12, 2016 and August 1, 2017, with a duration of one year and two years respectively and which can each be further renewed for a period of one year with the agreement of both parties unless one party provides written notice to terminate before the expiration of one year.

The first agreement, which allows us to use online platform operated by Tencent Computer System's subsidiary to sell credit card safety insurance, was terminated on April 12, 2019. The second agreement, which allows us to sell auto co-insurance, was not renewed in 2019.

Report of Directors

Reasons for the Transaction

We are the leading online-only Insuretech company in China and one of the only four companies with an online insurance licence. It is necessary as part of our online business expansion to utilize various online platforms to reach a wider customer base. As a provider of online insurance products, we use online platforms operated by associates of Tencent Computer System to sell various insurance products to end users of the online platforms in our ordinary course of business by paying a technical service fee. These agreements were entered into between us at arm's length negotiation. The continuous cooperation with Tencent Computer System and its subsidiaries will be beneficial to us in light of Tencent Computer System's dominant market position in its online platform in the PRC market.

Pricing Policies

The monthly technical service fees either depends on the volume of insurance products sold and the amount of promotional services (such as website notification service and website display service) this online platform provides. Under current arrangements: (i) for credit card safety insurance policy, a fixed fee is payable for each policy transacted through the online platform, for example under current arrangements, the fixed fee may be up to approximately 50% of the premium we receive from each policy; (ii) for auto co-insurance, the fee is based on the number of promotions through and web appearances on the online platform. The fees chargeable by Tencent Computer System and its associates are comparable to fees chargeable by them to other independent third parties.

The below table sets out the comparison between the annual cap and annual transaction amount of the continuing connected transactions with Tencent's associates for the year ended December 31, 2019:

Name	Type of transaction	Annual cap for the year ended December 31, 2019 (RMB thousand)	Transaction amount for the year ended December 31, 2019 (RMB thousand)
Tencent Group	Provision of insurance products to associates of Tencent by us	13,000(Note 1)	12,789
	Online platform cooperation agreement between associates of Tencent Computer System and us	10,000	742

Note:

1. The annual cap for the year ended December 31, 2019 was revised during the year ended December 31, 2019. Please refer to the announcement of the Company dated August 6, 2019 for further details.

3. Continuing connected transactions with Ping An Group

(a) *Provision of asset management services by Ping An Asset Management to us*

The asset management agreement we entered into with Ping An Asset Management, a subsidiary of Ping An Group, on January 13, 2014 (as amended by the supplemental agreement entered into on September 6, 2017) was in force during the Reporting Period, pursuant to which Ping An Asset Management agreed to provide asset management services to us.

Pursuant to the aforesaid agreement, the annual management fees chargeable by Ping An Asset Management (inclusive of investment management fees and custodian fees) are less than 0.5% of the total value of our assets that we engage them to manage.

This agreement has a term of 8 years, renewable for an additional 8 years, and it can be renewed without a limit on the number of times unless terminated by either party within 30 business days written notice before the term expires.

Reasons for the Transaction

We have received asset management services from Ping An Asset Management since 2014. Ping An Asset Management provides a range of insurance, asset management, annuities and banking services. The asset management services provided by Ping An Asset Management are highly reputable in the market and the continuous use of this service will be beneficial to us in light of Ping An Asset Management's experience in particular in long-term investments.

Pricing Policies

The pricing of the asset management services is determined at a market rate or as agreed by both parties after arm's length negotiations having regard to the amount of asset management services required by us and the prices for comparable services charged by other asset management service providers. We will only enter into these transactions when the management fees charged by Ping An Group are in line with or lower than the rates offered by other competent and independent third party service providers and the agreement is in the best interests of our Shareholders as a whole. Under arrangements in force during the year ended December 31, 2019, the annual management fees chargeable by Ping An Asset Management (inclusive of investment management fees and custodian fees) are less than 0.5% of the total value of our assets that we engage them to manage, which are comparable to or less than the fees charged by independent third parties for similar asset management services.

(b) *Cooperation agreements for the provision of auto co-insurance, between Ping An P&C and us*

On January 25, 2015, we entered into a five years term of co-insurance agreement with Ping An P&C, a subsidiary of Ping An Insurance, to provide auto co-insurance to the public (the "**Auto Co-insurance Cooperation Agreement**"). The Company entered into an agreement dated January 1, 2018 with Ping An P&C to amend the Auto Co-insurance Cooperation Agreement (the "**Amendment Agreement**"), pursuant to which the premiums and claim payments shared between us and Ping An P&C will be amended from a proportion of 30%: 70%, respectively, to a proportion of 50%: 50%, effective on January 1, 2018. Further details of the Amendment Agreement are set out in the Company's announcement dated January 1, 2018.

Ping An P&C is primarily responsible for the operation duties under the agreement, and we will settle with Ping An P&C after receipt of payments.

Reasons for the Transaction

Ping An Group is one of the largest insurance providers in the PRC. Property and casualty insurance has been the foundation of its business with steady growth since its inception. The co-insurance cooperation agreement allows us not only to share the risk of claims with Ping An Group but also reach a wider base of customers.

Pricing Policies

The auto insurance premiums are heavily regulated in the PRC and the premium charged under the cooperation agreement is determined at a market rate and approved by the CBIRC. They are determined after careful examination and verification by the business management committee of the department. Members of the committee conduct market analysis and various other procedures to determine all aspects of the product including the pricing. These prices must conform with the terms and regulations set by our Company and be approved by other relevant departments such as the actuary department and the operations management centre. The premium and claim payment sharing ratio between us and Ping An Group is agreed by both parties after arm's length negotiations having regard to the fact that Ping An Group will be responsible for the daily operations of the agreement including receiving reports of claims, investigating the claims and maintaining customer records. Under the current agreement, the ratio in which premiums and claims are shared is 50% and 50% between Ping An P&C and us, respectively.

Report of Directors

The below table sets out the comparison between the annual cap and actual transaction amount of the continuing connected transactions with the Ping An Group for the year ended December 31, 2019:

Name	Type of transaction	Annual cap for the year ended December 31, 2019 (RMB thousand)	Transaction amount for the year ended December 31, 2019 (RMB thousand)
Ping An Group	Provision of asset management services provided by Ping An Asset Management to us	59,000 *(Note 1)*	75,111
	Cooperation agreement for the provision of auto co-insurance	6,000,000 *(Note 2)*	1,263,723

Notes:

1. The annual cap for the year ended December 31, 2019 was revised to RMB80,000,000 subsequent to the year ended December 31, 2019. Please refer to the announcement of the Company dated February 16, 2020 for further details.

2. The annual cap for the year ended December 31, 2019 was revised prior to the year ended December 31, 2019. Please refer to the announcement of the Company dated January 1, 2018 for further details.

4. Continuing connected transaction with Ant Financial Group and its associates

(a) *Reward points purchase agreement between associates of Ant Financial Group and us*

We have entered into an agreement with Ant Financial Group for the purchase of reward points, "Jifenbao" for the use of our marketing activities. The agreement is entered into in our ordinary course of business on normal commercial terms.

The agreement was entered into on October 31, 2016 and is for a term of three years pursuant to the supplemental agreement entered into on September 6, 2017. We purchase "Jifenbao" from an associate of Ant Financial Group and either distribute it to target customers of our insurance products directly or instruct Alipay to distribute the reward points. These reward points can be used on Tmall and Taobao as discounts when those target customers purchase products using Alipay. Business under the agreement ceased prior to March 2019.

Reasons for the Transaction

As part of our promotion program to award purchasers of our insurance products, we have entered into this agreement with associates of Ant Financial to leverage off Alipay's customer reach and in order to differentiate our product from others that are also sold through the platforms. It is beneficial to us to enter into such transactions as "Jifenbao" is a popular reward points system in the PRC and will be able to help us attract more customers.

Pricing Policies

The relevant handling fee chargeable by Ant Financial is comparable to that as charged from an independent third party.

(b) *Online platform cooperation agreement between Ant Financial and/or its associates and us*

We and Ant Financial have entered into an online platform cooperation framework agreement for the provision of insurance products to various parties ("**Online Platform Cooperation Framework Agreement**"). As a provider of online insurance products we use online platforms operated by Ant Financial and/or its associates to sell various insurance products to end users of their online platforms in our ordinary course of business.

The Online Platform Cooperation Framework Agreement is for a term of 3 years commencing on the Listing Date. Relevant subsidiaries of Ant Financial Group will enter into separate agreements with us which will set out the specific terms and conditions (including pricing) according to normal commercial terms provided in the Online Platform Cooperation Framework Agreement.

Reasons for the Transaction

We are one of only four companies with an online insurance licence in China. It is necessary as part of our online business expansion to utilise various online platforms to reach a wider customer base. The cooperation with Ant Financial Group will be beneficial to us in light of Ant Financial Group's dominant market position in online platforms in the PRC market.

Pricing Policies

The platform service fees paid to Ant Financial and/or its associates by us are determined based on arm's length negotiations between us and Ant Financial and/or its associates. They are determined according to the following principles:

- if there exist comparable market rates paid by independent third parties, the platform service fees shall be based on such prevailing market rates.
- if there exist no comparable rates, the platform service fees shall be based on arm's length negotiations.
- if there exist no comparable rates and there are difficulties with regards to arm's length negotiations, the platform service fees can be based on similar transactions' market rates.

Currently the platform service fees charged by Ant Financial and its associates are comparable to fees charged by Ant Financial to other independent third parties. The fees are calculated with reference to the total premium we receive from the insurance products sold through such platforms. The calculation is either based on (a) a fixed rate of the total premium; or (b) a formula based on the actual settlement claim in relation to the insurance products.

The fixed rates used in both calculation methods are determined based on a number of factors specific to each insurance product, including the product's risk management level, prevailing market prices for similar insurance products and the scale of the product business.

We consider Ant Financial an important ecosystem partner and the customer reach offered by Ant Financial is incomparable to other online platform service providers. Nevertheless, before entering into any agreement under the Online Platform Cooperation Framework Agreement, we will assess our needs, and we will only enter into these transactions when the agreement is in the best interests of our Shareholders as a whole.

(c) Provision of insurance products to Ant Financial and/or its associated by us

We and Ant Financial Group have entered into a provision of insurance products framework agreement ("**Provision of Insurance Products Framework Agreement**"). We, in the ordinary and usual course of our business, sell various insurance products to Ant Financial and/or its associates including trust plan guarantee insurance, group health insurance and various other forms of insurance products. We expect to continue to enter into agreements with Ant Financial and/or its associates on similar terms following the Listing.

The Provision of Insurance Products Framework Agreement is for a term of 3 years commencing on the Listing Date. Relevant subsidiaries of Ant Financial Group will enter into separate agreements with us which will set out the specific terms and conditions (including pricing) according to normal commercial terms provided in the Provision of Insurance Products Framework Agreement.

Reasons for the Transaction

Ant Financial Group provides a wide range of financing services to the public. We cater for their various services through the provision of customised insurance products. In light of Ant Financial Group's market size in the financing industry, this cooperation will contribute to our revenue and be beneficial to us.

Report of Directors

Pricing Policies

The premiums paid by Ant Financial and/or its associates to us are determined based on arm's length negotiations between us. They are determined according to the following principles:

- if there exist comparable market rates paid by independent third parties, the premiums shall be based on such prevailing market rates.
- if there exist no comparable rates, the premiums shall be based on arm's length negotiations.
- if there exist no comparable rates and there are difficulties with regard to arm's length negotiations, the premiums can be based on similar transactions' market rates.

Currently the premiums charged by us are comparable to market rates charged to independent third parties. Our pricing of the premiums is based on factors such as potential claim payments, product expense ratio, back-office service volume required, product scale and competitiveness against other insurance products offered on the online platforms of Ant Financial and its associates. The total premium under the policies is also based on other factors specific to the category of policy provided. For example, for health insurance products under current arrangements, the calculation of the total premium also takes into account the cover period and the number of employees covered during the period, and is adjusted in accordance with the employment period of the insured company's employees. Premium rates of these products are either approved by or filed with the CBIRC. They are determined after careful examination and verification by the business management committee of the department. Members of the committee conduct market analysis and various other procedures to determine all aspects of the product including the pricing. These prices must conform with the terms and regulations set by our Company and be approved by other relevant departments such as the actuary department and the operations management centre. Once we propose the premiums that we will charge, we will then undergo a tender process, whereby Ant Financial and its associates compare our premium charges against those other independent third parties.

The below table sets out the comparison between the annual cap and actual transaction amount of the continuing connected transactions with the Ant Financial Group for the year ended December 31, 2019:

Name	Type of transaction	Annual cap for the year ended December 31, 2019 (RMB thousand)	Transaction amount for the year ended December 31, 2019 (RMB thousand)
Ant Financial Group	Provision of insurance products to Ant Financial and/or its associates by us	1,121	5
	Online platform cooperation agreement between Ant Financial and/or its associates and us	1,176,770 (Note 1)	1,084,963
	Reward points purchase agreement between associates of Ant Financial Group and us	40,000	0

Note:

1. The annual cap for the year ended December 31, 2019 was revised during the year ended December 31, 2019. Please refer to the announcements of the Company dated April 10, 2019 and November 8, 2019 and the circulars of the Company dated April 30, 2019 and November 21, 2019 for further details.

Confirmation from Independent Non-executive Directors

The Company's independent non-executive Directors have reviewed the Continuing Connected Transactions and confirmed that the Continuing Connected Transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmations from the Company's Independent Auditor

PricewaterhouseCoopers, the auditor of the Company, has confirmed in a letter to the Board that, with respect to the aforesaid Continuing Connected Transactions entered into in the year ended December 31, 2019:

(a) nothing has come to their attention that causes PricewaterhouseCoopers to believe that the disclosed Continuing Connected Transactions have not been approved by the Board;

(b) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes PricewaterhouseCoopers to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(c) nothing has come to their attention that causes PricewaterhouseCoopers to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(d) with respect to the aggregate amount of each of the Continuing Connected Transactions, except for the asset management services fee payable to Ping An Asset Management which has exceeded the annual cap for the year ended December 31, 2019, nothing has come to their attention that causes PricewaterhouseCoopers to believe that the disclosed Continuing Connected Transactions have exceeded the annual cap as set by the Company.

During the year ended December 31, 2019, save as disclosed in the sections headed "Connected Transactions" and "Continuing Connected Transactions" of this annual report, no related party transactions disclosed in Note 47 to the financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules. The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the Continuing Connected Transactions entered into by the Group during the year under review.

Material litigation

The Group was not involved in any material litigation or arbitration during the year ended December 31, 2019. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the year ended December 31, 2019.

Distributable reserves

Details of the movements in the reserves of the Company during the year ended December 31, 2019 are set out in Note 39 to the financial statements. There are no reserves available for distribution to Shareholders as at December 31, 2019.

Use of net proceeds from Listing

On September 28, 2017, the Shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange. The gross proceeds from the above Global Offering were approximately HK$13,682.5 million, which will be gradually used for the purposes as set out in the Prospectus.

Report of Directors

Charitable and other donations

Details of the charitable and other donations made by the Group during the year ended December 31, 2019 are set out in the section headed "2019 Environmental, Social and Governance (ESG) Report" of this annual report.

Share options

During the Reporting Period, the Shareholders do not have share options under relevant PRC laws and the Articles of Association.

Property, plant and equipment

Details of movements in the property, plant and equipment of the Company and the Group during the year ended December 31, 2019 are set out in Note 34 to the consolidated financial statements.

Pre-emptive rights

There are no provisions regarding pre-emptive rights under the Company Law of the PRC or the Articles of Association, which would oblige the Company to issue new shares to its existing shareholders in proportion to their existing shareholdings.

Tax relief

The Company is not aware of any tax relief available to the Shareholders by reason of their holding of the Company's securities.

Purchase, sale or redemption of listed securities of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company since January 1, 2019 up to December 31, 2019.

Management contracts

No contract, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended December 31, 2019.

Service contracts of Directors and Supervisors

Each of the Directors and Supervisors has entered into a service contract with the Company for an initial term of three years with effect, subject to the approval of the CBIRC, from the date of their respective appointment.

None of the Directors (including the Directors proposed for re-election at the annual general meeting) or Supervisors have a service contract with members of the Group that is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

The Company entered into service contracts with newly appointed Directors of the third session of the Board in November 2019. Terms, duties, renumeration packages, confidentiality duties of Directors and commencement and termination of contracts were detailed in the respective service contracts.

Interests of Directors and Supervisors in transactions, arrangements or contracts of significance

Save as disclosed in the section headed "Continuing Connected Transactions", none of the Directors and Supervisors nor any entity connected with the Directors and/or Supervisors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended December 31, 2019.

Directors' and Supervisors' interests in competing business

As far as the Directors are aware, none of the Directors or Supervisors of the Company has any competing interest in a business which competes or is likely to compete, either directly or indirectly, with the Group's business. During the Reporting Period and up to the date of this annual report, the Company has no controlling shareholders.

Permitted indemnity

The Company has arranged appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

Environmental policies and performance

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to community and achieving sustainable growth.

Compliance with the relevant laws and regulations

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended December 31, 2019, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

Auditor

The consolidated financial statements of the Group have been audited by PricewaterhouseCoopers. A resolution for its re-appointment as auditor for the coming year will be proposed at the forthcoming annual general meeting of the Company.

Sufficiency of public float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, at all times during the year ended December 31, 2019, not less than 25% of the issued share capital of the Company (being the public float applicable to the shares of the Company) were held in public hands.

By the order of the Board
Yaping Ou
Chairman

Shanghai, PRC
March 23, 2020

Report of the Supervisory Committee

The work of the Supervisory Committee

During the Reporting Period, the Supervisory Committee held seven meetings. All such meetings were convened in accordance with the Articles of Association by way of physical meeting or electronic means of communication, and were attended by all Supervisors entitled to be present. No proxy had been authorized to attend such meetings on their behalves. Details of Supervisors' attendance at meetings of the Supervisory Committee are set out as follows:

No.	Class of Supervisors	Date of appointment	Name	Meetings required to attend	Meetings attended	Meetings attended by proxies	% of attendance
1	Shareholder Representative Supervisor	November 29, 2013	Yuping Wen	7	7	0	100%
2	Shareholder Representative Supervisor	November 14, 2014	Baoyan Gan	7	7	0	100%
3	Employee Representative Supervisor	May 14, 2018	Haijiao Liu	7	7	0	100%

Independent opinion on relevant issues from the Supervisory Committee

(1) Lawful operation

During the Reporting Period, the Company operated and managed its businesses in accordance with the laws and regulations, and its operational results were objective and true. There was substantial development and improvement in the depth and breadth of internal control management. The Company's operational decision-making processes were legitimate. The Directors and other senior management personnel were royal, diligent and dedicated in the business operations and management processes, and they were not found to have breached any laws, regulations or the Articles of Association or harmed the interests of the Shareholders.

(2) Authenticity of the financial statements

PricewaterhouseCoopers has issued the standard unqualified auditor's reports in accordance with Hong Kong Standards on Auditing on the Company's financial statements for 2019. The consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standard ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

(3) Use of proceeds

The Company successfully completed the initial public offering of its overseas listed foreign shares (H Shares) on September 28, 2017. An aggregate of 229 million shares (upon exercise of the over-allotment option) were issued, and the gross proceeds raised were approximately HK$13,683 million. All of the proceeds raised from the offering, net of relevant offering expenses, will be used to strengthen the capital base of the Company to support its business development.

(4) Connected-party transactions

The Supervisory Committee regarded the connected-party transactions of the Company conducted during the Reporting Period to be fair and reasonable, without prejudice to the interests of the shareholders and the Company.

(5) Internal control system

During the Reporting Period, the management of the Company paid great attention to the establishment of internal control system. The Company has set up a relatively complete, rational and effective internal control system, and continued to improve its internal control management. In 2019, the Supervisory Committee has heard and reviewed the Resolution on Management Letter of the Company for 2018 (《關於公司2018年度管理建議書的議案》) and the Resolution on "Internal Control Audit Report and Management Letter on Insurance Fund Application of the Company for 2018"(《關於<公司2018年度保險資金運用內控審計報告及管理建議書>的議案》) etc. and considered that the Company has set up a relatively complete, rational and effective internal control system.

(6) Assessment on the performance of duties by Directors

During the Reporting Period, all the Supervisors reviewed and approved the Resolution on "the Due Diligence Report of the Directors of the Company for 2018" and the Resolution on "the Due Diligence Report of the Independent Directors of the Company for 2018", and made an assessment on the composition of the Board and the professional committees of the Board, Directors' attendance at meetings, Directors' voting and opinions and participation in training, etc. The Supervisory Committee agreed that all the Directors of the Company in 2019 proactively participated in Board meetings and meetings of the professional committees and expressed their opinions, and members of the professional committees of the Board fully fulfilled their professional responsibilities and provided professional opinions and recommendations to the Board on its decisions.

(7) Implementation of the resolutions approved by the general meetings

During the Reporting Period, the members of the Supervisory Committee had attended the Board meetings, and certain members had attended the general meetings. The Supervisory Committee had no objection to the resolutions submitted by the Board for approval by the Shareholders at the general meetings. The Supervisory Committee has monitored the implementation of the resolutions approved by the general meetings, and was of the opinion that the Board was able to implement the resolutions approved by the general meetings earnestly. The Supervisory Committee has monitored the implementation of resolutions and proposals of the Board, and was of the opinion that the operation management was able to implement the relevant resolutions earnestly, paid satisfactory attention to and adopted such proposals.

Environmental, Social and Governance (ESG) Report

Environmental, Social and Governance (ESG) Report

1. About the ESG Report

This is the third Environment, Social and Governance report ("ESG report") published by ZhongAn Online P & C Insurance Co., Ltd. and its subsidiaries ("ZhongAn" or the "Group"), which outlines the principles and sustainability philosophy of the Group in fulfilling its corporate social responsibility ("CSR") and illustrates the relationships between the Group and its major stakeholders with a vision and commitments for its CSR.

Basis for preparation

This report is prepared in accordance with the ESG Reporting Guide (the "Guide") as set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the covering scope of which is in compliance with the disclosure principles under the Guide.

Reporting period and boundary

The content of the ESG report mainly focuses on the core businesses of the Group, its practices in sustainable development from January 1, 2019 to December 31, 2019 (the "Year") and overall performance in fulfilling CSR. Unless otherwise specified, this report covers the businesses directly controlled by ZhongAn and the "Group" stated in this report refers to ZhongAn and its subsidiaries.

Reporting language

This report is published in Chinese Traditional and English versions. If there is any ambiguity, the Chinese Traditional version shall prevail.

Contact information

For more details of the Group's corporate governance, please refer to the section headed "Corporate Governance Report" set out in this Annual Report and the official website of ZhongAn at https://www.zhongan.com/. Your opinions on this report are treasured by us. For any enquiries or recommendations, please feel free to contact us via e-mail at dongshihui@zhongan.com.

2. Environmental, Social and Governance Management

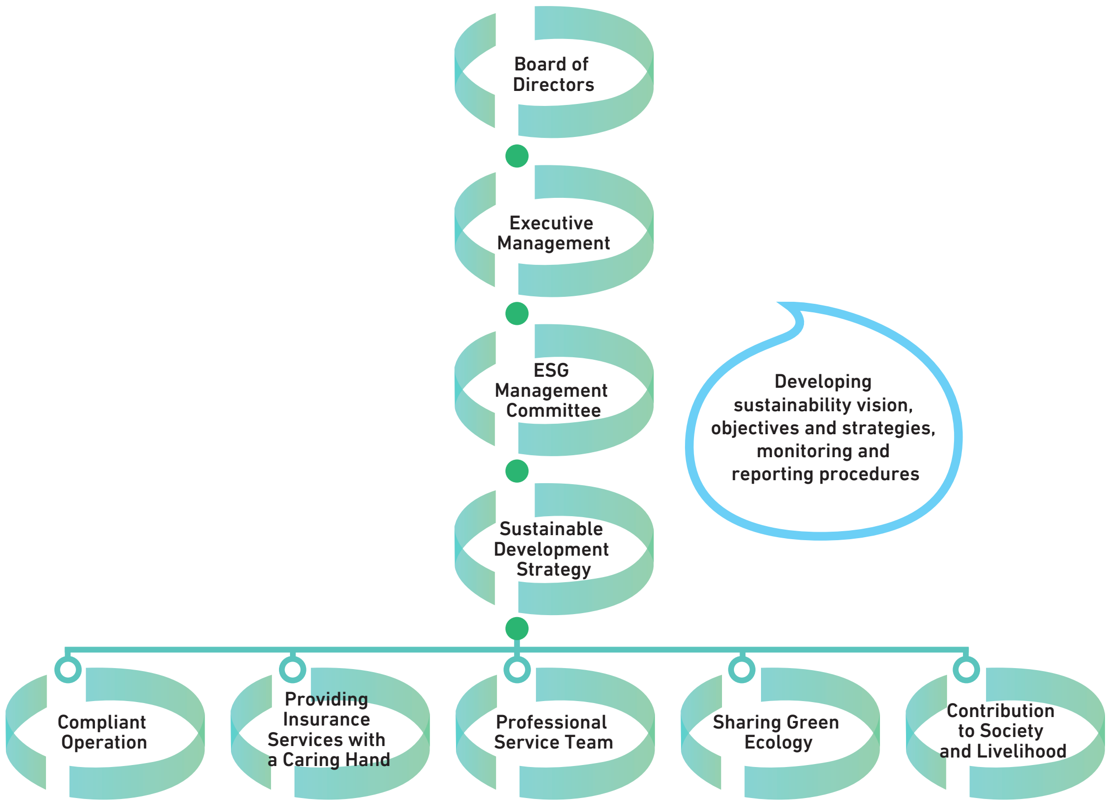
2.1. Sustainable Development Strategy

True to our mission of "empowering the finance business with technology and providing insurance services with a caring hand" and our twin-pronged growth strategy of "insurance + technology", ZhongAn is committed to integrating environmental, social and governance (ESG) strategies into all our businesses, products and services. With the aims of creating a green business, a harmonious society and a responsible economic operation, we strive to create sustainable development value for Shareholders, investors, customers, employees, business partners and other stakeholders. In the spirit of "win-win cooperation", we receive feedback from stakeholders through a variety of channels and understand their expectations in order to formulate the Group's sustainable development strategy, which is divided into the five major areas of "Compliant Operation", "Providing Insurance Services with a Caring Hand", "Professional Service Team", "Sharing Green Ecology" and "Contribution to Society and Livelihood", and is combined with our business development to attain sustainable development operation.

Environmental, Social and Governance (ESG) Report

2.2. ESG Management Committee

ZhongAn fully appreciates the importance of environmental, social and governance which matters to the sustainable development of the Group's business. As such, we established an Environmental, Social and Governance Management Committee (the "ESG Management Committee") in 2017 to improve the Group's work on sustainable development. The ESG Management Committee is coordinated by the team leader, Xing Jiang, who is the provisional person-in-charge, proposed general manager and Chief Executive Officer of the Group, vice team leader, Yongbo Zhang, who is the Deputy General Manager, chief legal officer, chief risk officer and compliance director of the Group, and members comprising persons-in-charge and representatives from various major departments.



Its main responsibilities are as follows:

- Identifying operations that are relevant and significant to the Group and environmental, social and governance issues that affect the Shareholders and other key stakeholders, including the quality of working environment, environmental protection, operation practices, community engagement, etc.;
- Maintaining the operation of the CSR management system and enhancing employees' awareness of CSR;
- Promoting implementation of various environmental, social and governance policies in all departments;
- Identifying and understanding stakeholders' views on major ESG issues through appropriate channels and responding in a timely manner;
- Be responsible for self-inspection and monitoring the Group's ESG policies and practices;
- Ensuring that the Group meets relevant legal and regulatory requirements and monitors and responds to the latest environmental, social and governance issues; and when appropriate, making relevant recommendations to the Board to enhance the Group's environmental, social and governance performance.

Corporate ESG policy

We have formulated an ESG Policy (《企業環境、社會及治理政策》) which clearly states the Group's objectives and management guidelines in this area with the aim of establishing a sound environmental management system. The Group fully complies with environmental protection laws and regulations in all countries and areas in which it operates. The Group is actively working to reduce its direct and indirect emissions of air pollutants, greenhouse gases and other ozone-depleting substances, and has set emissions reduction targets where appropriate.

2.3. Communication with stakeholders

Communication with all stakeholders is a matter of great importance to the Group. During the Reporting Period, we identified seven crucial stakeholder types – namely Shareholders and investors, regulatory authorities, customers, employees, business partners, the community environment and peer enterprises. We listen and understand their expectations and aspirations with an open and proactive attitude to determine our key ESG issues, and set corresponding goals in response.

We communicate with stakeholders from different sectors through different channels to help us understand their opinions and expectations of the Group and build long-term relationships of mutual trust, so as to determine the scope of this Report. Meanwhile, through communication with stakeholders, ZhongAn can timely understand the views and expectations of investors and the capital market on the Group. This enables us to constantly improve the Group's business and work, and to further enhance the acknowledgment and recognition of the Group.

Major stakeholders	Expectations and aspirations	Main communication methods
Shareholders and investors	Robust operational compliance Good returns on investment Disclosure of information in a just, fair, transparent and timely manner	General meetings Interim and annual reports ESG reports Shareholder visits Performance announcements "Investor Relations" section on our website Investor meetings
Regulatory authorities	Maintaining financial stability Promoting economic development Supporting community livelihood	Compliance reports Responses to public consultation in writing Meetings
Customers	Providing convenient, fast and quality insurance services and products Improving user satisfaction	Website and emails of the Group Hotline Customer service center Customer satisfaction survey and opinion form Online service platform Daily operation/exchange
Employees	Stable employment Reasonable welfares Safe working environment Broad career path	Channels for employees to express their opinions Performance assessment Employee research Employee representative assembly
Business partners/ suppliers	Integrity and mutual benefit Fair purchase	Supplier evaluation system On-site inspections Meetings Visits
Community/ Environment/Non-governmental organizations	Promoting social harmony Supporting charity activities Advocating energy saving and emission reduction	Charity activities Seminars/lectures/workshops
Peers in the insurance industry	Creating a good competitive environment	Strategic cooperation projects Group notices

Environmental, Social and Governance (ESG) Report

3. Compliant Operation

The Group is in full compliance with all laws and regulations of the locations in which it operates. Our business is operated with prudence in mind. We have strengthened internal controls through lean operational management and standardized corporate governance, and are committed to providing customers with high-quality insurance products and services with Caring Hand while we safeguard their and the Group's legitimate rights and interests.

3.1. Technology leader in the insurance industry

ZhongAn has upheld the values of "simplicity, rapidness, breakthrough and win-win" since its establishment, and will continue to forge ahead and sail through wind and wave in the insurance technology industry. The following is a list of awards received by the Group during the Year (listed by members of the Group):

Awards received by ZhongAn Insurance:

Awarded product	Awards	Awarding organisations/institutions
Auto	Outstanding Insurance Service Innovation of the Year Award (年度優秀保險服務創新獎)	Zewei Information (澤為信息)
Auto	2019 Top 50 Outstanding Insurance Innovation Project (2019年度優秀保險創新項目50強)	Molecular Lab (分子實驗室)
Auto	2019 Fintech Influence Brand (2019金融科技影響力品牌)	Zewei Information (澤為信息)
Auto	Most Competitive Auto Fintech of the Year Award (年度最具競爭力汽車金融科技獎)	Zewei Information (澤為信息)
Auto	2019 Leading Fintech Brand (2019年度金融科技領軍品牌)	Zewei Information (澤為信息)
Auto	2019 Leading Fintech Brand (2019年度金融科技領軍品牌)	Zewei Information (澤為信息)
Auto	"Golden Financing" Innovative Insurance Product of the Year ("金理財"年度創新型保險產品) Outstanding Award (卓越獎)	Shanghai Securities News (上海證券報)
Finance	Second Outstanding Risk Management – Best Intelligent Risk Control Platform (第二屆卓越 • 風控最佳智能風控平台)	Yiben Caijing (一本財經)
Finance	2019 China Credit Risk Control Technology Implementation Award (2019中國年度信貸風控技術實施大獎)	Asian Banker
Health	2019 Top 10 Recommended Commercial Insurance Product (2019十佳商業保險推薦產品)	Insurance Today (今日保)
Health	2018-2019 Insurance Product Communication Case (2018-2019年度保險產品傳播案例)	China Banking and Insurance News (中國銀行保險報)
Direct operation	2019 China Insurance Industry Reputation APP Ark Award (2019中國保險行業口碑APP方舟獎)	Securities Times (證券時報)

Awards received by ZhongAn Insurance (continued):

Awarded product	Awards	Awarding organisations/institutions
Personal Clinic Policy Medical Insurance (尊享e生·醫療險)	Outstanding Health Insurance Product Award (傑出健康險產品獎)	JRJ.com (金融界)
Moyamoya Disease Intelligent Diagnosis and Ischemia Risk Forecast Project (煙霧病智能診斷與出缺血風險預測項目)	Artificial Intelligence World Innovations (AIWIN) (世界人工智能創新大賽AIWIN) Potential Award (潛力獎)	the National Development and Reform Commission, the Ministry of Science and Technology, the Ministry of Industry and Information Technology, the Cyberspace Administration of China, Chinese Academy of Sciences, Chinese Academy of Engineering, Shanghai Municipal People's Government
–	Top 10 Fintech Listed Company (十佳金融科技上市公司)	01 Caijing New Finance Spring Summit (零壹財經新金融春季峰會)
–	2019 ifenxi Top 50 Fintech Innovation Enterprise in China (2019 • 愛分析中國金融科技創新企業50強)	ifenxi (愛分析)
–	Main List Award (風雲榜主榜獎項)	National Business Daily (每日經濟新聞)
–	Top 30 Fintech Company (金融科技30強)	ifenxi (愛分析)
–	2019 Top 100 Financial Service Company (2019金融服務100強)	China Economic Net (中國經濟網)
–	2019 Top 100 Financial Innovation Company (2019金融創新100強)	China Economic Net (中國經濟網)
–	Influential Insurance Company of the Year of the 17th Financial and Economic List (第十七屆財經風雲榜年度影響力保險公司)	Hexun.com (和訊)
–	Internet Insurance Innovation of the Year (年度互聯網保險創新)	China.com.cn (中國網), Insurance Today (今日保)
–	Best Internet Insurance Brand of the Year (年度最佳互聯網保險品牌)	Sina.com (新浪)
–	Chinese Insurance Leader's List 2019 (2019年中國保險風雲榜)	National Business Daily (每日經濟新聞)
–	Top 10 Finance Brand of Beijing –"Leading Technical Application Award" (北京金融十大品牌—"科技應用領先獎")	Beijing Business Today (北京商報)
–	wise 2019 King of New Economy King of Finance-Insurance Technologies (wise2019新經濟之王金融-保險科技之王)	36kr (36氪)
–	People's Insurance – Innovative Technological Model (人民好保險—創新科技模式)	People.cn (人民網)
–	Top 30 Fintech Company (金融科技top30)	EqualOcean (億歐)
–	Bauhinia Award – Best Corporate Governance for Listed Companies (紫荊獎-最佳公司治理上市公司)	China Securities Journal (中國證券報)
–	"Best Product Innovation" of the Year in Insurance Industry (保險業年度"最佳產品創新")	Southern Metropolis Daily (南方都市報)
–	2019 KPMG Top 50 Fintech Company in China (2019畢馬威 (KPMG) 中國領先金融科技50企業)	KPMG China

Environmental, Social and Governance (ESG) Report

Awards received by ZhongAn Insurance (continued):

Awarded product	Awards	Awarding organisation/institution
–	Digital Weapon List Top 50 (數字科技兵器譜 TOP50)	01 Caijing (零壹財經) 01 Think Tank (零壹智庫)

Awards received by ZhongAn Technology:

Awarded product	Awards	Awarding organisations/institutions
Anlink (安鏈雲)	People's Insurance –"Technology Star" (人民好保險—"科技之星")	People.cn (人民網)
Personal Travel Policy (飛享e生)	Example of Industrial Blockchain Applications (產業區塊鏈應用示例)	Zn Link (鋅鏈接), China Electronic Product Reliability and Environmental Testing Research Institute (the fifth electronic research institute of MIIT) (中國賽寶實驗室 (工信部電子五所))
–	2019 Industry-Chain Integration Application Summit & First Industry-Chain Integration Application Case Selection – Outstanding Solution, Innovation Award and Demonstration Award (2019產鏈融合應用高峰論壇暨首屆產鏈融合應用案例評選—優秀解決方案、創新獎和示範獎)	China Computer World (《計算器世界》報社)
–	4th China Health Insurance Development Forum "Best Innovation Award in Insurance Technology" (《第四屆中國健康保險發展論壇》"最佳保險科技創新獎")	Shine Consultant (士研諮詢)
–	ZhongAn Technology ranked 8th among Chinese blockchain companies in the "Interchain Pulse 2018 China Blockchain Patent List" (互鏈脈搏2018年度中國區塊鏈專利榜單).	Interchain Pulse (互鏈脈搏)
–	"ZhongAn Technology further develops insurance ecology and empowers inclusive financial innovations with frontier technologies" was recognised as "Digital Inclusive Finance Pioneers – 2018-2019 Outstanding Inclusive Finance Solution" (數字普惠金融先鋒榜—2018-2019年度普惠金融優秀解決方案).	Fintech Innovation Alliance (金融科技創新聯盟), xinhua08.com (中國金融信息網)
–	ZhongAn Technology ranked 8th among Chinese blockchain companies in the "BlockData Think Tank 2019 Q1 Blockchain Patent List" (鏈塔智庫2019Q1區塊鏈專利榜單).	BlockData Think Tank (鏈塔智庫)

Awarded product	Awards	Awarding organisations/institutions
–	ZhongAn Technology was invited to China Internet Insurance Summit (中國互聯網保險峰會) and was recognised as "Internet Insurance Technology Innovation Star of the Year" (年度互聯網保險科技創新之星)	Zensee Consulting (瞻仕諮詢)
–	2019 3rd China Health Insurance Industry Innovation International Summit "Best Health Insurance Technology Innovation Award" (《2019年第三屆中國健康保險業創新國際峰會》"最佳健康保險科技創新獎")	Zewei Information (澤為信息)
–	Asia Blockchain Top 50 (亞洲區塊鏈50強)	BlockData Think Tank (鏈塔智庫)
–	Interchain Pulse Interim Report | Slump in the number of blockchain patent applications: Alibaba and Tencent dropped out of top 10, Onething rose to top four in an adverse market	Interchain Pulse (互鏈脈搏)
–	Global blockchain enterprise invention patent ranking for the first half of 2019 – ZhongAn Technology ranked 6th in the world and 4th in China	IPR Daily
–	Insurance Technology Innovation Pioneer Award (保險科技創新先鋒獎)	SZ&W Group (澤為諮詢)
–	(Blockchain Area) Enterprise with Social Responsibility of the Year ((區塊鏈領域) 年度社會責任感企業)	tuoluocaijing.cn (陀螺財經)
–	New Industry, Economy, Science and Technology Pioneer Enterprise/Brand of the Year (年度新產業經濟科技先鋒企業/品牌)	Zn Finance (鋅財經)
–	Best Industrial Application Pioneer Award (最佳產業應用先鋒獎項)	Jinse Finance (金色財經)
–	Top 100 Blockchain Enterprise (區塊鏈百強企業)	BlockData (鏈塔)
–	2019 Outstanding Case Award for Information Technology in the PRC Insurance Industry (2019中國保險業信息化優秀案例優秀獎)	China Banking and Insurance News (中國銀行保險報)
–	Insure star 2019 – Top 50 Insurance Technology Companies in China (No. 4) (中國保險科技50強)	InsurView (保觀)
–	Top 20 Blockchain Technology Application Case (區塊鏈技術應用案例TOP20)	01 Caijing (零壹財經) 01 Think Tank (零壹智庫)

Environmental, Social and Governance (ESG) Report

3.2. Compliance and risk management

To strengthen its compliance management and comprehensively control risk, the Group has formulated Regulations on Compliance Management (《合規管理規定》) and Regulations on Risk Management (《風險管理規定》) pursuant to regulatory requirements including the Company Law of the People's Republic of China (《中華人民共和國公司法》), Insurance Law of the People's Republic of China (《中華人民共和國保險法》), Provisions on the Administration of Insurance Companies (《保險公司管理規定》), Measures for the Compliance Management of Insurance Companies (《保險公司合規管理辦法》), Guidelines for the Risk Management of Insurance Companies (《保險公司風險管理指引》) and the Solvency Regulatory Rules for Insurance Companies (《保險公司償付能力監管規則》). Compliance and risk management for the Group is led by the Board of Directors and the general manager. ZhongAn's functional departments and business divisions serve as a first line of defence for compliance and risk management and assume direct and primary responsibility for such within their respective scope of duties. They are required to identify, analyse, evaluate, respond to, monitor and report risks at the front end of the Company's business. The legal and compliance department, Risk Management Committee and risk management department serve as a second line of defence and are responsible for organising, coordinating and supervising various departments to formulate relevant management policies and systems, etc. The Audit Committee of the Board and the internal audit department serve as the third line of defence and are responsible for monitoring the compliance and risk management process and connected activities.

Compliance and risk management system

3.3. Anti-corruption

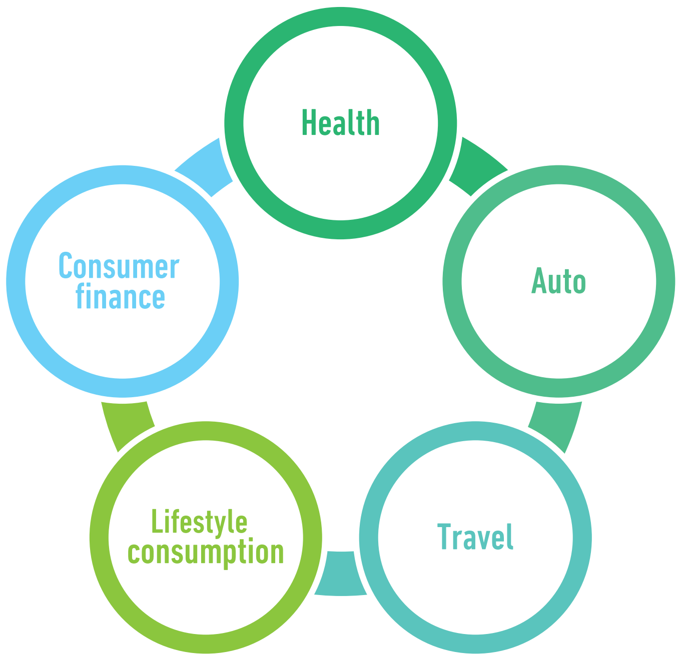
The Group strictly abides by the Criminal Law of the People's Republic of China (《中華人民共和國刑法》), the Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》), the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Insurance Law of the People's Republic of China (《中華人民共和國保險法》), the Provisions on the Administration of Insurance Companies (《保險公司管理規定》), Measures for the Compliance Management of Insurance Companies (《保險公司合規管理辦法》), Guidelines for the Assessment of Money Laundering and Terrorism Financing Risks and Categorised Management of Customers of Financial Institutions (《金融機構洗錢和恐怖融資風險評估及客戶分類管理指引》), the Anti-Money Laundering Ordinance (《打擊洗錢條例》), Drug Trafficking (Recovery of Proceeds) Ordinance (《販毒(追討得益)條例》) and the Organised and Serious Crimes Ordinance (《有組織及嚴重罪行條例》) in the Hong Kong Special Administrative Region, and the United Nations (Anti-Terrorism Measures) Ordinance (《聯合國（反恐怖主義措施）條例》). The Group is active in pursuing measures to fight corruption.

ZhongAn established Administrative Provisions on Anti-Money Laundering (《反洗錢管理規定》) and Administrative Provisions on Customer Money Laundering and Terrorist Financing Risk Assessment and Classification (《客戶洗錢及恐怖融資風險評估及分類管理規定》) to regulate anti-money laundering and anti-terrorism financing, including customer identification, large-value transactions and suspicious transactions reporting, keeping records of customer identification and transaction history, and money laundering risk level classification. The Group also formulated Administrative Provisions on Anti-fraud and Whistleblower Protection (《反舞弊及舉報人保護管理規定》) to clarify the scope and purpose of its anti-fraud work and encourage employees and those having business dealings with the Group to report possible frauds through a dedicated email address. During the Year, there were no lawsuits or cases brought against the Group or its employees involving corruption, bribery, extortion, fraud or money laundering.

4. Providing Insurance Services with a Caring Hand

4.1. Empowering finance business with technology

True to our mission of "empowering finance business with technology and providing insurance services with a caring hand" and our twin-pronged growth strategy of "insurance + technology", the Group has committed to redefining insurance through technology by offering personalised, customised and intelligent insurance services and products that create value for customers. We continued to increase R&D investment in the InsureTech and FinTech sectors, and have leveraged our capabilities in artificial intelligence, big data and cloud computing and our mature and rich online insurance products to improve the user experience in marketing, customer service and other areas. This has supported the creation of five major ecosystems – health, consumer finance, auto, lifestyle consumption and travel – to meet customers' diverse coverage needs.

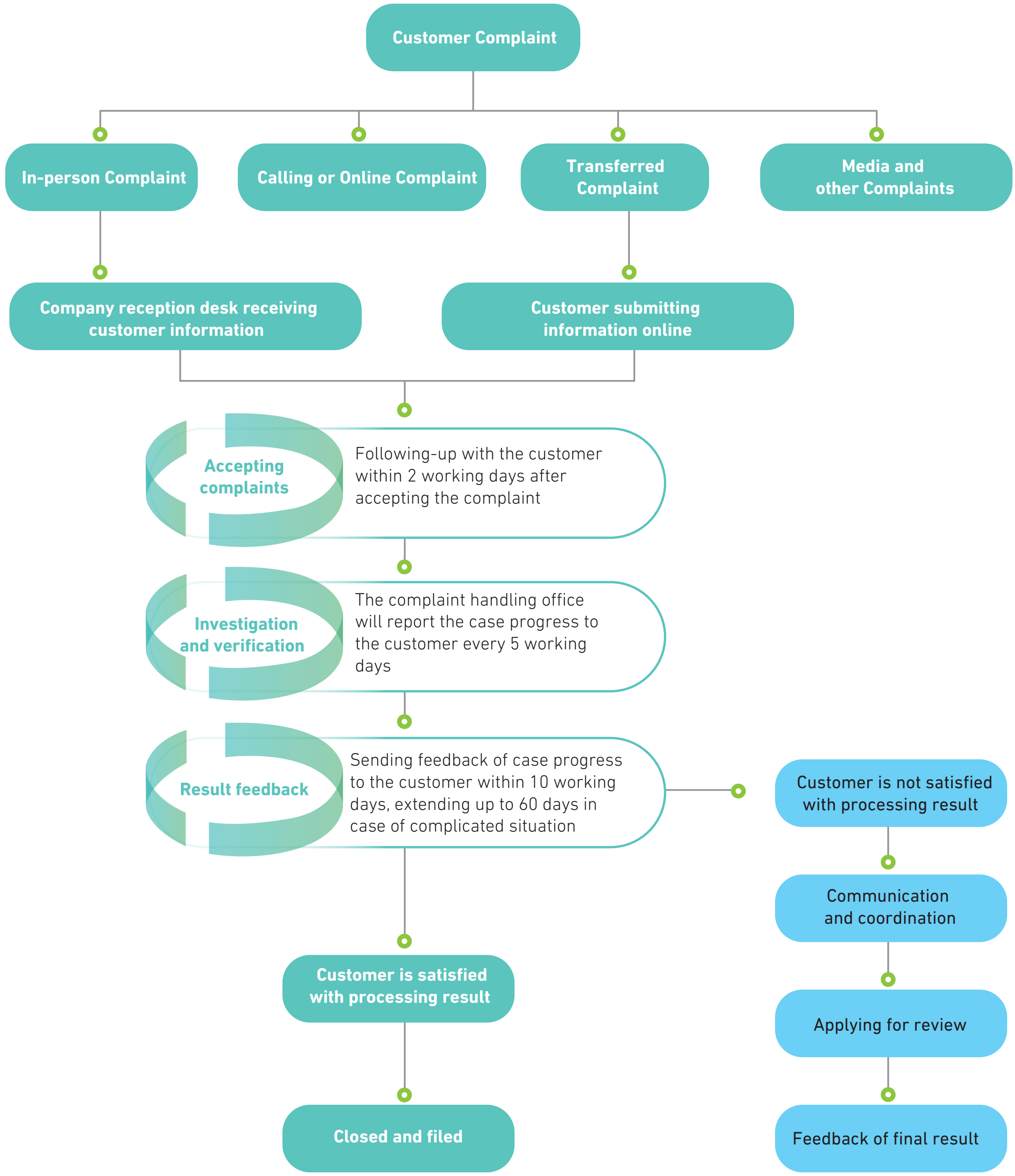


4.2. Valuing client feedback

Customer feedback is an important source of knowledge for the Group. Pursuant to the Administrative Measures for Handling the Complaints of Insurance Consumption (《保險消費投訴處理管理辦法》), the Notice of Opinions on Enhancing the Protection of Rights and Interests of Insurance Consumers (《關於加強保險消費者權益保護工作的意見的通知》), the Notice on Strengthening Emergency Management in the Insurance Industry (《關於加強保險業突發事件應急管理工作的通知》) and the Guiding Opinions of the General Office of the China Insurance Regulatory Commission on Further Improving the Handling of Public Complaints in the Insurance Industry (《中國保監會辦公廳關於進一步加強保險業信訪工作的指導意見》) issued by the China Banking and Insurance Regulatory Commission ("CBIRC"), and the Regulations on Emergency Management of Major Emergencies (《重大突發事件應急管理規定》) of ZhongAn, we have formulated Administrative Measures for Customer Complaints (《客戶投訴管理規定》) and an Emergency Response Plan for Major Complaints (《重大投訴緊急處理預案》). These enable us to effectively receive and resolve all types of complaints by organising the complaint handling process, clarifying the responsibilities of each unit, and establishing a mechanism for complaint operation standards, file management, information disclosure, evaluation rules, and emergency response to major and mass complaints. During the Year, the Group received and properly handled a total of 3,798 complaints.

Environmental, Social and Governance (ESG) Report

ZhongAn's standard procedure in handling complaints



4.3. Protecting customer privacy

The Group fully complies with laws and regulations relating to information security, including the Law of the People's Republic of China on Guarding State Secrets (《中華人民共和國保密法》), the Implementation Measures for the People's Republic of China on Guarding State Secrets (《中華人民共和國保密法實施辦法》), and industry regulatory requirements such as the Guidelines for the Management of Informatization of Insurance Companies (《保險公司信息化建設管理指引》) and Requirements for Information System Security Management (《信息系統安全管理要求》) issued by the CBIRC. To ensure business information security, the Group formulated Regulations for Information Security and Compliance Management (《信息安全合規管理規定》), Regulations for Information System and Network Security Management (《信息系統網絡安全管理規定》) and Regulations for Information System and Data Security Management (《信息系統數據安全管理規定》), enabling it to manage the collection, use and storage of all kinds of data, regulate information security management work, ensure the availability, integrity and confidentiality of information, and fully protect customer privacy.

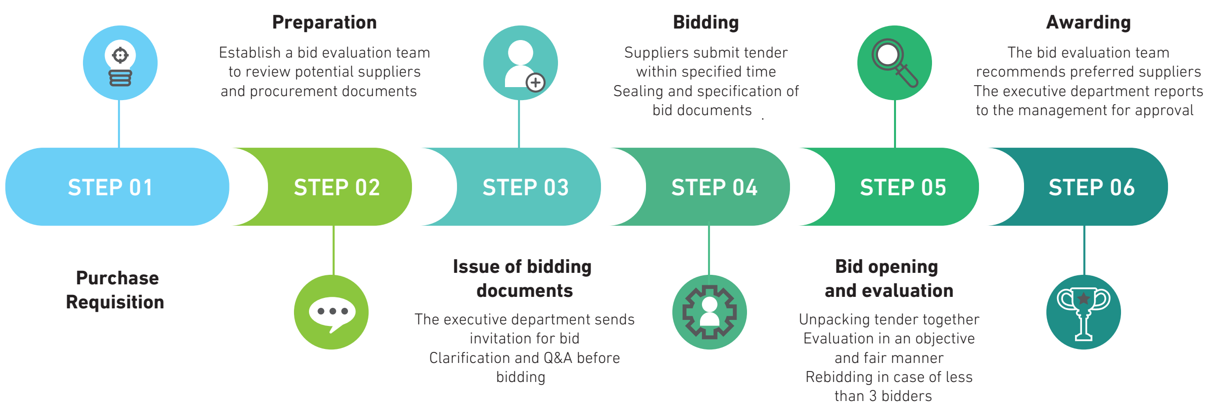
4.4. Respecting intellectual property rights

When publishing business information, the Group complies with the Patent Law of the People's Republic of China (《中華人民共和國專利法》), the Detailed Rules for the Implementation of the Patent Law of the People's Republic of China (《中華人民共和國專利法實施細則》), the Trademark Law of the People's Republic of China (《中華人民共和國商標法》), the Regulation on the Customs Protection of Intellectual Property Rights (《知識產權海關保護條例》), the Advertisement Law of the People's Republic of China (《中華人民共和國廣告法》) and other relevant requirements. We have also formulated Administrative Measures for External Release of Business Data and Information (《對外業務數據信息發佈管理辦法》) and Regulations on Intellectual Property Rights Management (《知識產權管理規定》). To protect all lawful rights of the Group and third parties, the Group handles all matters relating to intellectual property rights, patents, copyrights and trademark rights with extreme care. We also ensure that complete, true and accurate product information is delivered to the public in advertisements, and avoid any acts to deceive customers through the use of false or misleading product descriptions.

4.5. Being responsible for supply chain

The Group attaches great importance to supplier management. We have accordingly formulated Regulations on Procurement and Bidding Management (《採購與招標管理規定》) to regulate procurement procedures and related activities of ZhongAn, so as to improve work efficiency and quality, and reduce procurement costs. ZhongAn's administrative management department is responsible for maintaining a supplier database and organising the implementation of supplier management, including access review, classification and rating, assessment and monitoring. In choosing suppliers, we consider factors including their qualifications, quotes, service ability, service timeliness and service plan design, and undertake social responsibility investigations and evaluations of suppliers, so as to enhance the sense of responsibility of the suppliers. Since 2019, the Group has required each member of the procurement review panel to sign a Commitment Letter for Evaluation Integrity (《評審廉潔承諾書》) and promise to perform their duties of evaluating bidding projects in accordance with the principle of "Professionalism, Independence, Objectivity and Fairness, Faithfulness and Integrity".

ZhongAn's bidding procedure



Environmental, Social and Governance (ESG) Report

We regularly conduct supplier evaluations and supervision in terms of product and service quality, efficiency, customer service and service stability as we strive to build a sustainable supply chain. ZhongAn manages a negative list (blacklist) of suppliers found to have provided false information, failed to perform agreements in bidding or quotation documents or contracts, provided products or services with serious quality defects, or have engaged in any other bad behaviours or disreputable actions. During the Year, the Group's business involved more than 110 major suppliers and their regional distribution (by product and service) is as follows:

Type/Area	Beijing	Shanghai	Shenzhen	Hangzhou
Administrative service	12	40	13	14
Administrative engineering	4	11	3	—
Administrative goods	4	12	—	2

5. Professional Service Team

ZhongAn values talent development and builds its professional service team using a sound mechanism of talent selection. Our Human Resources Management System (《人力資源管理制度》) and Employee Handbook (《員工手冊》) clearly describe the procedures for the management of recruitment, probation periods, training, performance, rank system and promotions, remuneration and welfare, organisation, position transfers, vacation and attendance, so as to strengthen human resources management and promote mutual development of the Company and the staff. As of December 31, 2019, the Group had a total of 2,898 employees.

5.1. Equal employment

ZhongAn complies fully with laws and regulations relating to labour and employment, including the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law (《勞動合同法》), the Law on the Protection of Minors (《未成年人保護法》) and Provisions on the Prohibition of Using Child Labour (《禁止使用童工的規定》). We provide a working environment characterised by harmony, inclusiveness, equality, non-discrimination and non-exploitation. Our Employee Recruitment Management System (《員工招聘管理制度》) was designed to conduct recruitment based on principles of openness, fair competition, position-oriented selection and merit. The educational background, work experience and skills of job seekers are our main considerations; race, colour, religion, age, gender, disability, family status and other categories of legal protection do not affect their chances of employment. The Group reviews the personal data of job seekers to avoid the employment of children. The Group has also made clear rules on employees' standard working hours to ensure that they enjoy sufficient rest time and avoid forced labour. During the Reporting Period, the Group had violated no law or regulation relating to compensation and dismissal, recruitment and promotion, working hours, equal opportunity, diversity, anti-discrimination, and prevention of child or forced labour. The Group experienced no cases of child or forced labour.

5.2. Employee remuneration and benefits

The Group provides employees with competitive remuneration and benefits in order to attract and retain talent. Employee remuneration includes basic salary and performance bonus. Under our Employee Performance Management System (《員工績效管理制度》), performance bonuses are paid to employees and performance-oriented remuneration adjustments are made annually. These take into account the market's and industry's macro-economic situation, ZhongAn's results and performance, and departmental and individual performance. Through a comprehensive staff performance appraisal system, we have improved the quality and performance of employees, facilitating the implementation of the Group's overall development strategy.

Apart from statutory holidays, the Group's Employee Benefits Management System (《員工福利管理制度》) entitles employees to annual leave, sick leave, marriage leave, maternity leave, paternity leave, funeral leave, personal leave, ethnic minority leave and foreign employee leave. ZhongAn makes social insurance (basic pension insurance, basic medical insurance, work injury insurance, unemployment insurance and maternity insurance) and housing fund contributions for employees in accordance with national and local regulations in China. Our industry advantage also enables us to maintain group medical insurance (including supplementary medical insurance, accident insurance, etc.) and provide health benefits for employees. In-service benefits for staff include meals, correspondence subsidies, delayed work meals, vehicle benefits and annual physical examinations. Staff also receive welfare benefits during festivals such as Chinese New Year, Dragon Boat Festival, Mid-Autumn Festival and Women's Day on 8 March according to traditional custom. The Group sends congratulations and gifts to employees on occasions such as birthdays, weddings and births.

To ensure the appropriateness of its policies, the Group maintains close communication with employees and regularly reviews its stance on matters including employee remuneration and benefits. We distribute relevant business information to employees via the "ZhongAn Monthly Management Communication" (眾安管理月訊) and "All-staff Communication Meetings" (全員溝通會), the latter also provides an opportunity for employees to express their opinions to management, so as to improve the sense of belonging of employees.

"All-staff Communication Meetings" in 2019

Environmental, Social and Governance (ESG) Report

5.3. Valuing talent development

In order to tie in Zhongan's development goals, and improve performance and quality of our staff, our Staff Training Management System (《員工培訓管理制度》) regulates the implementation and management of personnel training at all levels, and continuously improves the training mechanism. The Group offers a wide variety of employee training schemes which can be broadly divided into orientation for new employees, professional training, management training, policy and regulatory training, and training for Directors, Supervisors and senior management. ZhongAn's human resources department prepares an annual training plan for employees according to training needs and various functional departments' annual work plans. These curriculums help employees explore their potential and maintain the Group's competitiveness. During the Year, the Group organised a total of 234 training sessions which amounted to more than 500 training hours with 6,728 participants.

Training	Description
Orientation for new employees	Internal training courses and project practices to help new formal employees to understand the history and culture of ZhongAn, learn the insurance business and cultivate the concept of online insurance products, and develop capabilities of cross-function and cross-position collaboration.
Professional	Internal sharing and training and appointment of external institutions for internal training provided for employees in professional work, including professional and general skills.
Management	Appointment of external institutions for internal and external training provided for management employees involving trainings focus on leadership and business management capabilities, including new manager training, middle manager training and senior management training.
Policy and regulatory	Internal training and online learning to help all employees understand industry compliance requirements.
For Directors, Supervisors and senior management	Each Director, Supervisor and member of senior management shall complete online or offline training of 100 hours each year as required by the CBIRC.

5.4. Staff health and safety

ZhongAn fully abides by laws and regulations including the Law of the People's Republic of China on Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), the Administrative Provisions on the Supervision of Occupational Sanitation for the Workplace (《工作場所職業衛生監督管理規定》), the Work-related Injury Insurance Regulations (《工傷保險條例》), and pays attention to the health and safety of employees.

By improving the working environment, arranging annual staff physical examinations, subsidising health clubs organised by staff and supporting various staff activities, we contribute to a safe, healthy and caring working environment that balances work and life for employees. During the Year, we did not violate any law or regulation relating the provision of a safe working environment and protection of employees from occupational hazards, nor did we have any lost days due to work injury or work-related fatalities.

"Children's Day Activities 2019

Divisional Challenge Activities 2019

Environmental, Social and Governance (ESG) Report

6. Sharing Green Ecology

Zhongan adheres to the concept of caring for the earth and protecting the environment while persisting in quality growth. In order to establish and improve the environmental management system and measures, we have established the Group's ESG Code (《環境、社會及治理規範》), and conduct annual environmental reviews, assess environmental performance, make appropriate adjustments and amendments to environmental policies, and ensure a green ecology with employees and customers. We strictly abide by relevant environmental protection laws and regulations formulated by the country and operating regions, such as the Shanghai Domestic Waste Management Regulation (《上海市生活垃圾管理條例》). The Group had not violated any environmental laws or regulations during the Reporting Period.

6.1. Implementing green finance

Electronic and automated insurance policy procedure

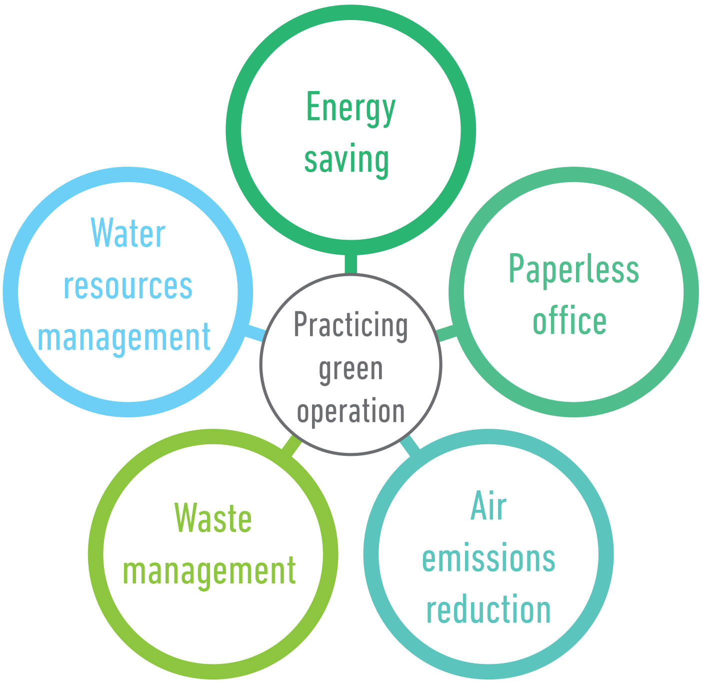
The Group is committed to developing green finance and achieving sustainable economic and environmental development. As the first insurance company to build a cloud-based core system and the world's first insurance company without IOE, we always adhere to the concept of green finance. We continue to accumulate experience in artificial intelligence, blockchain, cloud computing and big data, with the aim to fully realize electronic automation transactions, and gradually subvert the traditional insurance industry. Now that customers can buy insurance through online platforms, we can handle hundreds or tens of millions times of insurance transactions with far less energy and resources compared to the traditional insurance industry, and reduce waste of unnecessary paper and energy consumption.

High performance data center

As fully electronic and automated trading relies on a reliable and stable data center, we use Alibaba Cloud Data Center for stable operation and high energy efficiency. This data center is a leading new-generation green data center in China compared to the traditional ones. Its overall Power Usage Effectiveness (PUE) value of 1.13 is much lower than China's average of 2.5. It introduces clean and cold air into the data center room to cool equipment, reducing cooling energy consumption by 59%. At the same time as creating competitive advantages to the business, the energy-saving technology also saves operating costs and reduces our environmental impact, enabling us to provide our customers with more cost-effective services.

6.2. Practicing green operation

ZhongAn Insurance is an internet technology enterprise and mainly operates its business from offices. It causes negligible environmental pollution and makes a minimal impact on the environment and natural resources. Our operations' environmental impact mainly derives from office power and domestic water consumption, domestic waste, a small amount of exhaust gas generated by Company vehicles, and the carbon emissions associated with business flying. To reduce these, the Group has implemented a green office policy and a series of measures for energy saving, water resources management, paperless office, waste management and air emissions reduction to protect the environment and treasure natural resources.



Energy saving

The Group is committed to using innovative technologies to reduce the GHG emissions and energy consumption of its routine operations. In order to monitor electricity usage, we produce monthly electricity statistics and use them to make appropriate improvements. Voice-controlled induction lights installed in office corridor passages to automatically switch off when not in use. Office lighting areas are zoned with individual controls which allow for uninhabited areas to be independently switched off, and employees were allowed to turn off individual lights when not in use. We have replaced fluorescent lights in some offices with more energy-efficient LED lights to reduce overall power consumption. In terms of air conditioning systems, air conditioning temperature controls have been upgraded to be more sensitive, and units will switch off when interior temperature reaches a preset value. Anti-ultraviolet and heat-insulating film on office windows are used to reduce heat absorption, while doors and windows are sealed to prevent conditioned air from dissipating, so as to reduce energy consumption of air conditioning. Office equipment such as printers are equipped with timers and switched off during off-hours. To further enhance employees' sense of environmental responsibility, the Group uses media such as email, posters and internal networks to encourage employees to adopt environmentally friendly habits in the workplace.

With the Group's efforts in implementing energy-saving and efficiency-enhancing information to employees, the total electricity consumption of the Shanghai headquarters office this year was only 1,296,754 kWh in the Year, which was around 8% less than that of last year[1], showing the effectiveness of our energy conservation measures.

Water resources management

The Group's business does not belong to a high water consumption industry, and its domestic water is supplied by the office building. However, facing the crisis of global water shortage, we still actively encourage and monitor employees to use water wisely. We use water-saving sanitarywares with infrared sensing and double flushing to reduce water consumption, post reminders to save water in various toilets, and regularly check water meter readings for indications of excessive use or leakage.

During the Year, total water consumption by the Group's head office in Shanghai was 17,012 m^3, over 3% less than that of 2018. ZhongAn has begun to analyse its water consumption. In the future, we will continue to monitor the water consumption behaviour of our employees and hope to achieve continuous improvement for conservation of water resources.

[1] The total electricity consumption of the Shanghai headquarters office in 2018 was adjusted to 1,408,765 kWh after auditing.

Environmental, Social and Governance (ESG) Report

Paperless office

The Group has fully replaced paper-based office administration with the Office Automation System (OA System), such as electronic forms for handling administrative affairs, electronic accounting systems and e-procurement. All company processes have adopted online reporting and system circulation. Individual requests, reports, summaries, various work reports and work plans within the Company are required in electronic circulation rather than paper form for approval in each aspects, which greatly reduced paper consumption. When printed internal documents are necessary, employees are instructed to use smaller fonts and reduce line spacing for a reduction in the number of pages needed. To raise employee environmental awareness, the Group posts reminders in the prominent place next to the printer to remined employees to use double-sided photocopying, reuse paper, and use telecommunications technology to transmit information as much as possible, to reduce paper habit. We use various platforms to publish online promotional posters for various activities instead of paper posters. During the Year, the total amount of paper usage by the Group's head office in Shanghai was 17.68 tonnes, which was 20% less than the total amount used in 2018 (22.2 tonnes), which shows the effective operation of our paperless office system.

Waste management

We run our operations mainly in office and produce non-hazardous solid wastes like paper and general wastes generated from daily operation. We strictly abide by the laws and regulations concerning waste, such as the Shanghai Domestic Waste Management Regulation (《上海市生活垃圾管理條例》). We have adopted the waste classification management standards implemented in Shanghai and divide waste into wet, dry, recyclable and hazardous varieties which are sent to recycling stations for reuse or disposal.

Non-hazardous waste

We reduce the consumption of natural resources through daily recycling. Waste paper recycling corners are provided in office printing areas for secondary use by employees. To reduce waste, employees are encouraged to reuse envelopes, binders, file cards and other stationery items, and to use refillable pens. To reduce emissions, staff restaurants use reusable rather than disposable tableware. Employees are encouraged to avoid food wastage by clearing their plates to reduce food waste.

Hazardous waste

For office waste such as used batteries, the Group offers dedicated recycling bins for their disposal by employees. If computers and electronic products reach the end of life, the Group will consider working with electronics companies to explore ways of recycling used computers and other electronic products. The Group hands over waste ink and toner cartridges to qualified parties for recycling.

Reducing air emissions

The Group's air emissions mainly comprise exhaust gases from Company vehicles and we have made effective emission reduction measures to reduce air pollution. The Group registers mileage to avoid excessive use of vehicles. For activities such as airport pick-ups and drop-offs which involve the same destination, one vehicle and one journey is used whenever practical. When many people must be transported to a single destination, the Group prefers to use a coach or bus rather than multiple vehicles, which effectively reduced air emissions. We have strictly implemented vehicle maintenance standards and requirements to ensure that vehicles operate normally in order to meet emissions standards.

During the Year, the types and data of air emissions from vehicles of the Group's head office in Shanghai were as follows:

Emissions type	Unit	2019
Nitrogen oxides (NO_x)	kg	86.94
Sulphur oxides (SO_x)	kg	0.25
Particulate matter (PM)	kg	8.33

6.3. Promoting low-carbon culture

In November 2019, the State Council of China issued the 2019 China's Policies and Actions for Addressing Climate Change Report (《中國應對氣候變化的政策與行動 2019 年度報告》), which aims at mitigating and adapting to climate change, improving institutional mechanisms, strengthening capacity building, encouraging local actions, and raising public awareness. In line with the national climate change strategies, the Group actively implements economic development models with low energy consumption, low pollution and low emissions to jointly mitigate climate change.

As a global citizen, we have conducted greenhouse gas (GHG) emissions inspections for the Group's head office in Shanghai in compliance with the Greenhouse Gas Protocol (《溫室氣體盤查議定書》) issued by the World Resources Institute and the World Business Council for Sustainable Development and the ISO14064-1 set by the International Organization for Standardization. Additionally, in keeping with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), we make a transparent disclosure and comparison of GHG emissions and energy consumption in the report, and strive to reduce the Group's carbon footprint during operation to promote low carbon operation.

The summary of GHG emissions of the Group's Shanghai headquarters during the Year are as follows:

Summary of GHG Emissions		Unit	2018	2019
GHG Emissions				
Scope 1	Direct GHG emissions	tonnes CO_2 equivalent (CO_2e)	99.68	114.42
Scope 2	Indirect GHG emissions from energy consumption	tonnes CO_2e	991.07[2]	912.27
Scope 3	Other indirect GHG emissions	tonnes CO_2e	989.15	629.91
Total GHG emissions		tonnes CO_2e	2,079.90[2]	1,656.60
GHG Intensity				
Per square meter of floor area (Scope 1, 2 & 3)		tonnes CO_2e/m^2	0.11[2]	0.09
Per employee (Scope 1, 2 & 3)		tonnes CO_2e/employee	0.90[2]	0.81

Scope 1: The direct GHG emissions generated from sources owned and controlled by the Group.

Scope 2: GHG emissions indirectly generated by electricity generation, heating and cooling or steam purchased by the Group.

Scope 3: Emissions include GHG emissions indirectly generated by sources that are not owned or directly controlled by the Group but related to the Group's business activities.

[2] Due to the adjustment of the total electricity consumption of the Shanghai headquarters office in 2018, the related greenhouse gas emissions have been updated.

Environmental, Social and Governance (ESG) Report

After inspection, the GHG emissions of our head office in Shanghai included carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbon (PFCs), sulfur hexafluoride (SF_6), and can be classified into direct emissions (Scope 1) and indirect emissions (Scope 2 and Scope 3). GHG emissions of each scope came the use of natural gas and from fuel used by vehicles of the Group (Scope 1), electricity consumption during the operation (Scope 2) and employees' overseas business trips by air, waste disposal and paper consumption (Scope 3), respectively. In the Year, the total amount of GHG emissions was 1,656.60 CO_2e tonnes, around 20% less than that of last year. GHG Intensity is 0.09 tonnes CO_2e/m^2 and 0.81 tonnes CO_2e/employee. Although direct emissions (Scope 1) increased by approximately 15% compared to that last year, the GHG emissions indirectly generated by use of energy (Scope 2) and the indirect GHG emissions (Scope 3) significantly decreased by around 8% and 36% respectively compared to the data last year, indicating that the effectiveness in energy saving, reduction in paper consumption and overseas business trips. We use video conferencing to the greatest extent, instead of conducting overseas business trips. At the same time, for those inevitable business trips, we will choose to take direct flight to reduce GHG emissions effectively.

7. Contribution to Society and Livelihood

"Providing insurance services with a caring hand" is the mission of ZhongAn, and also represents the Group's willingness to improve social conditions. Not only does it reflect in our "empowering the finance business with technology " and professional service to our customers, but also in our practice of corporate social responsibility. As such, ZhongAn is enthusiastic about social welfare activities all the time and has held a variety of charitable activities over the years, and continues to fulfil its corporate social responsibilities through making contributions for the care of children, environmental protection, developing talents and protecting health. During the Year, we gave back to society by "Helping sick children", "Giving educational aid", "Protecting the ecosystem", "Cultivating financial talents" and "Safeguarding public health" as the focus of the Group's contribution to society, the insurance business and public welfare activities go hand in hand. During the year, the total amount of the Group's public welfare activities in the community exceeded RMB130,000.

7.1. Helping sick children

"Helping seriously ill children with RMB1" ("1元微公益助力大病兒童")

ZhongAn has been exploring avenues to use insurance as a means of serving the public in recent years. It established the ZhongAn Insurance Personal Clinic Policy Charity Fund (眾安保險尊享e生公益基金) with the Shanghai Charity Foundation to focus on aid and health management for children with serious illnesses.

In 2019, ZhongAn launched the "11.11" and "12.12" charity activities, where for every customer who purchased a Personal Clinic Policy medical insurance policy, ZhongAn Insurance donated RMB1 to a charity fund for seriously ill children.

To guarantee the truth, openness and transparency of our public welfare projects, Blockchain technology has been adopted for the ZhongAn Insurance Personal Clinic Policy Charity Fund to ensure the traceability of donations and display donation information in real time, which enables simple, effective and more caring charity activities and the realization of a beautiful and warm vision of "Love together to keep everyone warm" ("e起愛，眾溫暖").

7.2. Giving educational aid

Educational aid in 2019 –"Be your wing"("做你的羽e")

ZhongAn is committed to "Providing insurance services with a caring hand" using insurance technologies. In August 2019, ZhongAn's "Be your wing" educational activity invited teachers and classmates from Qinghai Provincial Huzhu County Weiyuan Junior Secondary School and provided them with workplace experience and web design training. In one and a half days, trainers at ZhongAn taught students the knowledge of web design and coding so that they can build their own webpage, which enabled the seed of charity to grow and sprout on the charity soil of ZhongAn using insurance technologies.

7.3. Protecting the ecosystem

2019 ZhongAn charity walk –"Walking in Paradise"("桃花源裡e益步")

In December 2019, ZhongAn and the Paradise International Foundation jointly launched a "Walking in Paradise" charity walk, with participants aiming to walk 200 million steps. After the event, ZhongAn donated insurance coverage to the Foundation's nature reserve patrols. They protect the ecological health of the earth with their lives, and ZhongAn protects their health with insurance technologies.

ZhongAn Insurance Public Welfare Practice Base ("眾安保險公益實踐基地")

In June 2019, ZhongAn and the Paradise International Foundation jointly established a "ZhongAn Insurance Public Welfare Practice Base" in the Laohegou Nature Reserve, Pingwu County, Mianyang, Sichuan Province. Led by an expert group, the ZhongAn Insurance charity team carried out field research and analysis to learn about the operation of the nature reserve and wildlife survival and protection. In the future, ZhongAn will leverage its experiences in internet insurance, as well as its advantages in large number of new generation users and multiple ecological systems to further explore public welfare practice in nature reserves and contribute to the protection of natural ecology.

Environmental, Social and Governance (ESG) Report

7.4. Cultivating financial talents

Hong Kong college student internship (exchange and study) programme 2019

In June 2019, ZhongAn participated in the Cross-boundary Study Tour for Post-Secondary Financial Talent 2019 (2019滬港金融專業大學本科生交流及考察計劃) sponsored by the Financial Services and the Treasury Bureau of the Hong Kong Special Administrative Region and the Shanghai Financial Services Office and co-organised by the Hong Kong Federation of Youth Groups. The programme provided a one-month exchange internship to three college students in Hong Kong Special Administrative Region. This exchange aimed to improve the students' understanding of the culture and operation of financial markets and financial service institutions in mainland and their knowledge of financial science and technology, and promote the interaction and exchange of future financial talent between Shanghai and Hong Kong.

7.5. Safeguarding public health

Voluntary blood donation 2019

In 2019, ZhongAn continued to call on employees to voluntarily donate blood in a blood donation activity held in its office premises to support public welfare causes to help people in need, save lives and promote public health.

8. Special: ZhongAn Supports the Fight against COVID-19

The COVID-19 epidemic in early 2020 has gripped everyone's heart. In order to promptly support the epidemic prevention and control, by adhering to its mission of "Providing insurance services with a caring hand", ZhongAn launched a number of measures to help stem the COVID-19 epidemic, provide warm protection for the people and protect their health.

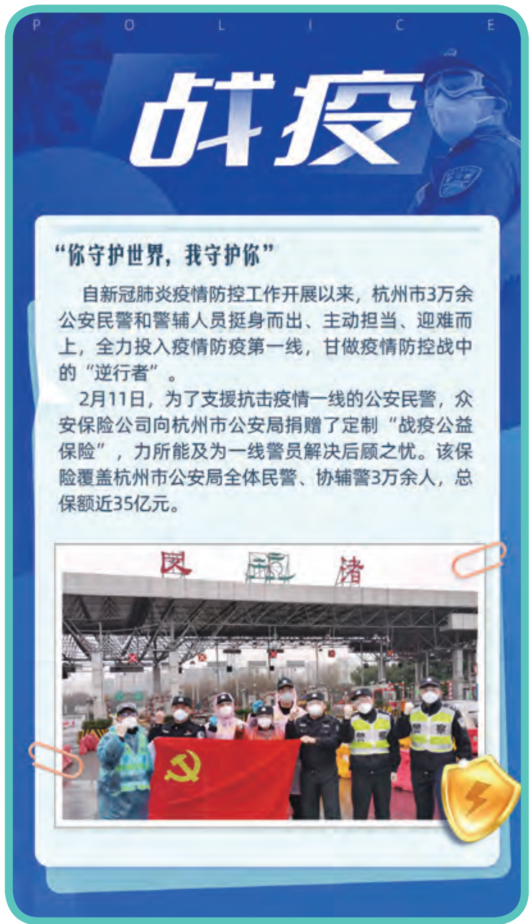
ZhongAn's main measures to fight the epidemic**

Offering ZhongAn Fu·Anti-epidemic Insurance to the public to provide them insurance coverage

ZhongAn offered "ZhongAn Fu·Anti-epidemic Insurance" to the public free of charge, providing people of various age group with health and death insurance coverage.

Supporting the police force in fighting against the epidemic

In February 2020, in order to support frontline police officers and auxiliary police officers across the country in the fight against the epidemic and provide them with insurance coverage, ZhongAn Insurance donated an "Anti-COVID-19" public welfare insurance to the police officers, auxiliary police officers, reemployed police officers after retirement and their families as well as the families of police officers who died on the job, aimed at easing the burden on frontline police personnel.



Providing twelve claim settlement and healthcare services to support you in fighting against the epidemic

In order to provide greater support for the epidemic prevention and control, ZhongAn leveraged on its technology strengths to provide the public with twelve claim settlement and healthcare services, which mainly include:

- Applying for overall online claim settlement service
- Setting up fast track for claim settlement
- Eliminating restrictions on designated hospitals, drug items and treatment projects, as well as the disease waiting period and the excess
- Launching the "Anti-epidemic assistant" and "Free medical advice" service on ZhongAn App
- Launching the 24/7 fever outpatient service by ZhongAn Internet Hospital free of charge
- Launching the hotline providing psychological aid to fight against the epidemic by ZhongAn

** We fully support anti-epidemic activities and will disclose more detailed information in the ESG report for 2020.

Environmental, Social and Governance (ESG) Report

9. Appendix 1: Sustainability Data Statements

Environmental Scope	Unit	2018	2019
GHG Emissions			
Direct GHG emissions (Scope 1)	tonnes CO_2e	99.68	114.42
Indirect GHG emissions (Scope 2)	tonnes CO_2e	991.07[2]	912.27
Other indirect GHG emissions (Scope 3)	tonnes CO_2e	989.15	629.91
Total GHG emissions (Scope 1, 2 & 3)	tonnes CO_2e	2,079.90[2]	1,656.60
GHG Intensity			
Per square meter of floor area (Scope 1, 2 & 3)	tonnes CO_2e/m^2	0.11[2]	0.09
Per employee (Scope 1, 2 &3)	tonnes CO_2e/employee	0.90[2]	0.81
Energy Consumption			
Total electricity consumption	kWh	1,408,765	1,296,754
Total electricity consumption intensity (per square meter of floor area)	kWh/m^2	75.11	69.14
Total electricity consumption intensity (per employee)	kWh/employee	611.44	633.80
Natural gas consumption	m^3	29,800	31,200
Gasoline consumption	Litre	15,230	17,180
Water Consumption			
Total water consumption	m^3	17,615	17,012
Total water consumption intensity (per square meter of floor area)	m^3/m^2	0.94	0.91
Total water consumption intensity (per employee)	m^3/employee	7.65	8.31
Hazardous Waste			
Production of hazardous waste	pieces of batteries	10,752	16,650
Hazardous waste intensity (per employee)	pieces of batteries/employee	4.67	8.14
Non-Hazardous Waste			
Production of non-hazardous waste	tonnes	144	153
Non-hazardous waste intensity (per employee)	tonnes/employee	0.06	0.07
Paper consumption	tonnes	22.20	17.68
Paper consumption intensity	tonnes/employee	0.009	0.009

[1] Due to the adjustment of the total electricity consumption of the Shanghai headquarters office in 2018, the related greenhouse gas emissions have been updated.

Social Scope	Unit	2018	2019
Total Employees	no. of people	3,090	2,898
Total Employees (by Gender)			
Total female employees	no. of people	1,254	1,198
Total male employees	no. of people	1,836	1,700
Total Employees (by Employment Category)			
Junior staff	no. of people	3,018	2,806
Middle management	no. of people	62	82
Senior management	no. of people	10	10
Total Employees (by Age Group)			
Below 30	no. of people	1,619	1,236
30-50	no. of people	1,467	1,651
Above 50	no. of people	4	11
Total Employees (by Geographical Region)			
Employees in North China	no. of people	—	191
Employees in Northeast China	no. of people	—	19
Employees in East China	no. of people	—	2,198
Employees in Central China	no. of people	—	11
Employees in South China	no. of people	—	348
Employees in Hong Kong	no. of people	—	131
Employee Turnover Rate (Total and by Gender)			
Total employees turnover	%	29.3	24.8
Female employees turnover	%	25.0	23.2
Male employees turnover	%	32.2	26.0
Employee Turnover Rate (by Age Group)			
Below 30	%	31.1	26.3
30-50	%	27.3	23.7
Above 50	%	0	15.4
Employee Turnover Rate (by Geographical Region)			
Employees in North China	%	—	34.8
Employees in Northeast China	%	—	0
Employees in East China	%	—	24.4
Employees in Central China	%	—	0
Employees in South China	%	—	26.6
Employees in Hong Kong	%	—	14.1
Percentage of Employees Trained (by Gender)			
Female employees	%	—	92.2
Male employees	%	—	85.2
Percentage of Employees Trained (by Employment Category)			
Junior staff	%	—	87.5
Middle management	%	—	79.3
Senior management	%	—	70.0
Average Training Hours Per Employee (by Gender)			
Female employees	hours	—	2.7
Male employees	hours	—	2.5

Environmental, Social and Governance (ESG) Report

Social Scope	Unit	2018	2019
Average Training Hours Per Employee (by Employment Category)			
Junior staff	hours	—	2.6
Middle management	hours	—	1.9
Senior management	hours	—	5.9
Occupational Health and Safety			
Work-related Injuries and Fatalities			
Lost days due to work injury	days	0	256
Number of work-related fatalities	no. of people	0	0

10. Appendix 2: Hong Kong Stock Exchange ESG Reporting Guide Index

Description of the indicator			Related Sections
A. ENVIRONMENT CATEGORY			
A1: EMISSIONS	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Sharing Green Ecology— Implementing green finance; Practicing green operation; Promoting low-carbon culture
	A1.1	The types of emissions and respective emissions data.	Sharing Green Ecology— Practicing green operation
	A1.2	Greenhouse gas emissions in total and intensity.	Sharing Green Ecology— Promoting low-carbon culture; Sustainability Data Statements
	A1.3	Total hazardous waste produced and intensity.	Sustainability Data Statements
	A1.4	Total non-hazardous waste produced and intensity.	Sustainability Data Statements
	A1.5	Description of measures to mitigate emissions and results achieved.	Sharing Green Ecology— Implementing green finance; Practicing green operation; Promoting low-carbon culture
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Sharing Green Ecology— Practicing green operation
A2: USE OF RESOURCES	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Sharing Green Ecology— Implementing green finance; Practicing green operation
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total and intensity.	Sustainability Data Statements
	A2.2	Water consumption in total and intensity.	Sustainability Data Statements
	A2.3	Description of energy use efficiency initiatives and results achieved.	Sharing Green Ecology— Implementing green finance; Practicing green operation
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Sharing Green Ecology— Practicing green operation
	A2.5	Total packaging material used for finished products and with reference to per unit produced.	Not applicable (our Group's business does not involve packaging materials)

Environmental, Social and Governance (ESG) Report

Description of the indicator			Related Sections
A. ENVIRONMENT CATEGORY			
A3: THE ENVIRONMENT AND NATURAL RESOURCES	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Sharing Green Ecology— Implementing green finance; Practicing green operation; Promoting low-carbon culture
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Sharing Green Ecology— Implementing green finance; Practicing green operation; Promoting low-carbon culture
B. SOCIAL CATEGORY			
B1: EMPLOYMENT	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Professional Service Team— Equal employment; Employee remuneration and benefits; Valuing talent development; Staff health and safety
	B1.1	Total workforce by gender, employment type, age group and geographical region.	Sustainability Data Statements
	B1.2	Employee turnover rate by gender, age group and geographical region.	Sustainability Data Statements
B2: HEALTH AND SAFETY	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Professional Service Team— Staff health and safety
	B2.1	Number and rate of work-related fatalities.	Sustainability Data Statements
	B2.2	Lost days due to work injury.	Sustainability Data Statements
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Professional Service Team— Staff health and safety
B3: DEVELOPMENT AND TRAINING	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Professional Service Team— Valuing talent development
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Sustainability Data Statements
	B3.2	The average training hours completed per employee by gender and employee category.	Sustainability Data Statements

Description of the indicator			Related Sections
B. SOCIAL CATEGORY			
B4: LABOUR STANDARDS	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Professional Service Team— Equal employment
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	Professional Service Team— Equal employment
	B4.2	Description of steps taken to eliminate such practices when discovered.	Professional Service Team— Equal employment
B5: SUPPLY CHAIN MANAGEMENT	General Disclosure	Policies on managing environmental and social risks of the supply chain.	Providing Insurance Services with a Caring Hand— Being responsible for supply chain
	B5.1	Number of suppliers by geographical region.	Providing Insurance Services with a Caring Hand— Being responsible for supply chain
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Providing Insurance Services with a Caring Hand— Being responsible for supply chain
B6: PRODUCT RESPONSIBILITY	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Providing Insurance Services with a Caring Hand— Protecting customer privacy; Respecting intellectual property rights
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable
	B6.2	Number of products and service related complaints received and how they are dealt with.	Providing Insurance Services with a Caring Hand— Valuing client feedback
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	Providing Insurance Services with a Caring Hand— Respecting intellectual property rights
	B6.4	Description of quality assurance process and recall procedures.	Providing Insurance Services with a Caring Hand— Valuing client feedback
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Providing Insurance Services with a Caring Hand— Protecting customer privacy

Environmental, Social and Governance (ESG) Report

Description of the indicator			Related Sections
B. SOCIAL CATEGORY			
B7: ANTI-CORRUPTION	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Compliant Operation— Compliance and risk management; Anti-corruption
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Compliant Operation— Anti-corruption
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Compliant Operation— Compliance and risk management; Anti-corruption
B8: COMMUNITY INVESTMENT	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Contribution to Society and Livelihood
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Contribution to Society and Livelihood
	B8.2	Resources contributed to the focus area.	Contribution to Society and Livelihood

Independent Auditor's Report

To the Shareholders of ZhongAn Online P & C Insurance Co., Ltd.
(incorporated in the People's Republic of China with limited liability)

Opinion

What we have audited

The consolidated financial statements of ZhongAn Online P & C Insurance Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 117 to 210, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated 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.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Independent Auditor's Report

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is summarised as follows:

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of insurance contract liabilities Refer to note 2.21 Summary of significant accounting policies – Insurance contract liabilities and note 44 Insurance contract liabilities. Refer to note 3.1 Significant accounting judgements and estimates – Valuation of insurance contract liabilities. The Group had insurance contract liabilities stated at RMB7,542,640 thousand at 31 December 2019, representing 52.37% of the Group's total liabilities. We focused on this area because the valuation of insurance contract liabilities involved a high degree of judgement by management in selecting the models and setting the assumptions including the development of paid and incurred losses and expected ultimate loss ratios.	With the assistance of our actuarial experts, we performed the audit procedures listed below. We evaluated and tested the internal controls over data collection and analysis and the assumptions setting processes. We performed independent modelling analysis for insurance contract liabilities as follows: • We compared the underlying data used in the valuation models to the source systems, including earned premiums to accounting records and reported claims to the claims system. • We set up the actuarial assumptions such as claims development and loss ratio, considering both the Group's historical data and applicable industry experiences. • We evaluated the overall reasonableness of insurance contract liabilities by comparing the calculation result through independent modelling. Based on our audit work, we found management judgements in the valuation of insurance contract liabilities to be supportable by the audit evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group'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 the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' 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 the Group'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 the consolidated 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 the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 the Group 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.

Independent Auditor's Report

We communicate with those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is LEUNG KWOK WAI, JIMMY.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2020

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019
(All amounts expressed in RMB'000 unless otherwise stated)

	Notes	2019	2018
Gross written premiums	7(a)	14,629,589	11,255,718
Less: Premiums ceded to reinsurers	7(b)	(234,148)	(462,622)
Net written premiums	7	14,395,441	10,793,096
Less: Net change in unearned premium reserves	7	(1,593,990)	(1,992,793)
Net premiums earned	7	12,801,451	8,800,303
Net investment income	8	1,775,786	774,485
Net fair value changes through profit or loss	9	169,896	(153,949)
Other income	10	376,831	189,475
Total income		15,123,964	9,610,314
Net claims incurred	11	(8,624,689)	(5,268,436)
Handling charges and commissions	12	(909,909)	(1,074,756)
Foreign exchange gains/(losses)		1,962	(838)
Finance costs		(111,096)	(43,276)
General and administrative expenses	13	(5,416,859)	(4,626,959)
Other expenses	14	(630,265)	(413,040)
Total expenses		(15,690,856)	(11,427,305)
Share of net profit/(loss) of associates and joint ventures accounted for using the equity method	32	(43,946)	6,830
Loss before income tax		(610,838)	(1,810,161)
Income tax	18	(27,807)	13,443
Net loss for the year		(638,645)	(1,796,718)
Loss attributable to:			
– Owners of the parent		(454,101)	(1,743,895)
– Non-controlling interests		(184,544)	(52,823)
		(638,645)	(1,796,718)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019
(All amounts expressed in RMB'000 unless otherwise stated)

	Notes	2019	2018
Loss per share			
– Basic loss per share (RMB yuan)	19	**(0.31)**	(1.19)
– Diluted loss per share (RMB yuan)	19	**(0.31)**	(1.19)
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
– Changes in the fair value of available-for-sale financial assets	20	**(72,915)**	46,011
– Exchange differences on translation of foreign operations	20	**30,631**	6,939
Other comprehensive income/(loss) for the year, net of tax	20	**(42,284)**	52,950
Total comprehensive loss for the year		**(680,929)**	(1,743,768)
Total comprehensive loss for the year attributable to:			
– Owners of the parent		**(511,410)**	(1,695,654)
– Non-controlling interests	6(b)	**(169,519)**	(48,114)
		(680,929)	(1,743,768)

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

These consolidated financial statements and the accompanying notes starting from page 117 to page 210 are signed by:

OU Yaping	CHEN Jin
(On behalf of Board of Directors)	(On behalf of Board of Directors)

Consolidated Balance Sheet

As at 31 December 2019

(All amounts expressed in RMB'000 unless otherwise stated)

	Notes	31 December 2019	31 December 2018
ASSETS			
Cash and cash equivalents	21	2,914,820	2,426,829
Financial assets at fair value through profit or loss	22	6,220,536	9,288,084
Securities purchased under agreements to resell	23	160,000	1,038,887
Interest receivables	24	306,078	377,895
Premium receivables	25	3,532,160	2,037,286
Reinsurance receivables	26	238,028	287,379
Reinsurers' share of insurance contract liabilities	44	275,127	243,216
Available-for-sale financial assets	27	12,200,672	6,572,814
Loans and advances to customers	28	50,900	71,295
Investments classified as loans and receivables	29	1,276,676	597,069
Term deposits	30	300,000	960,000
Restricted statutory deposits	31	294,338	293,963
Investments in associates and joint ventures	32	613,309	344,836
Right-of-use assets	33	363,635	—
Property and equipment	34	90,968	106,730
Intangible assets	35	488,779	409,261
Goodwill		3,997	3,997
Deferred income tax assets	36	—	19
Other assets	37	1,577,552	1,281,536
Total assets		30,907,575	26,341,096
EQUITY AND LIABILITIES			
Equity			
Share capital	38	1,469,813	1,469,813
Reserves	39	16,576,422	16,642,673
Accumulated losses		(3,134,580)	(2,680,447)
Equity attributable to owners of the parent		14,911,655	15,432,039
Non-controlling interests	6(b)	1,593,876	1,042,634
Total equity		16,505,531	16,474,673
Liabilities			
Customer deposits		23,841	—
Borrowings	41	—	59,716
Securities sold under agreements to repurchase	42	4,049,725	2,552,928
Premiums received in advance		101,134	111,736
Reinsurance payables	43	218,060	355,271
Income tax payable		2,170	927
Insurance contract liabilities	44	7,542,640	5,327,116
Lease liabilities	33	398,366	—
Deferred income tax liabilities	36	42	—
Contract liabilities		22,089	15,205
Other liabilities	45	2,043,977	1,443,524
Total liabilities		14,402,044	9,866,423
Total equity and liabilities		30,907,575	26,341,096

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

(All amounts expressed in RMB'000 unless otherwise stated)

	For the year ended 31 December 2019									
	Attributable to owners of the Company									
		Reserves								
	Share capital	Capital reserves	Surplus reserves	Other reserves due to share-based payments	Available-for-sale investment revaluation reserves	Foreign currency translation reserves	Accumulated losses	Total	Non-controlling interests	Total equity
1 January 2018	1,469,813	16,596,375	—	37,620	(38,248)	(2,095)	(936,552)	17,126,913	143,783	17,270,696
Total comprehensive loss	—	—	—	—	46,011	2,230	(1,743,895)	(1,695,654)	(48,114)	(1,743,768)
Transaction with non-controlling interests	—	—	—	—	—	—	—	—	950,686	950,686
Share-based payments	—	—	—	780	—	—	—	780	—	780
Others	—	—	—	—	—	—	—	—	(3,721)	(3,721)
31 December 2018	1,469,813	16,596,375	—	38,400	7,763	135	(2,680,447)	15,432,039	1,042,634	16,474,673
Total comprehensive loss	—	—	—	—	(72,915)	15,606	(454,101)	(511,410)	(169,519)	(680,929)
Surplus reserves	—	—	32	—	—	—	(32)	—	—	—
Contributions from non-controlling interests 6(b)	—	—	—	—	—	—	—	—	1,270,042	1,270,042
Consideration paid to non-controlling interests 6(b)	—	(8,974)	—	—	—	—	—	(8,974)	(457,652)	(466,626)
Deconsolidation of subsidiary 6(b)	—	—	—	—	—	—	—	—	(91,629)	(91,629)
31 December 2019	**1,469,813**	**16,587,401**	**32**	**38,400**	**(65,152)**	**15,741**	**(3,134,580)**	**14,911,655**	**1,593,876**	**16,505,531**

Consolidated Statement of Cash Flow

For the year ended 31 December 2019
(All amounts expressed in RMB'000 unless otherwise stated)

	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operating activities	46	(1,214,823)	(1,279,097)
Net cash outflow from operating activities		(1,214,823)	(1,279,097)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment, intangible assets and other assets		(286,031)	(328,202)
Proceeds from sale of property and equipment, intangible assets and other assets		83	57
Purchases of investments, net		(1,863,790)	(4,982,424)
Acquisition of subsidiaries and other business entities, net		(62,086)	(173,606)
Deconsolidation of subsidiaries, net		(28,692)	—
Dividends and others received from investments		1,879,219	546,026
Net cash outflow from investing activities		(361,297)	(4,938,149)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of preference shares		814,105	614,185
Increase in securities sold under agreements to repurchase, net		1,408,374	2,374,252
Proceeds from capital injection by non-controlling interests		455,937	336,501
Proceeds from/(repayment of) borrowings		(60,356)	59,716
Payment for repurchase of non-controlling interests' shares		(317,619)	—
Payment for redemption of preferred shares		(149,007)	—
Principal elements of lease payments		(119,916)	—
Net cash inflow from financing activities		2,031,518	3,384,654
Effects of exchange rate changes on cash and cash equivalents		32,593	(838)
Net increase/(decrease) in cash and cash equivalents		487,991	(2,833,430)
Cash and cash equivalents at the beginning of year		2,426,829	5,260,259
Cash and cash equivalents at the end of year		2,914,820	2,426,829

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB'000 unless otherwise stated)

1. GENERAL INFORMATION

Approved by the former China Insurance Regulatory Commission (the "CIRC") of the People's Republic of China (the "PRC"), ZhongAn Online P & C Insurance Co., Ltd. (the "Company") is a joint stock company established on 9 October 2013.

The Company and its subsidiary (collectively, the "Group") are principally engaged in Insuretech business, which provides internet insurance services and insurance information technology services to customers.

The Company became listed on the Main Board of the Stock Exchange of Hong Kong on 28 September 2017, and its stock code is 6060.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the all the years presented unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention other than financial instruments that have been measured at fair values and insurance contract liabilities that have been measured primarily based on actuarial methods. These consolidated financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

(a) Changes in accounting policies

The Group has adopted the following standards and amendments for the first time for the current year's consolidated financial statements. Though in certain cases, giving rise to new or revised accounting policies, the adoption of these standards and amendments currently has had no significant impact on these consolidated financial statements.

HKFRS 16	Leases
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle
HK (IFRIC) interpretation 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement

The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) Changes in accounting policies (continued)

HKFRS 16 Leases

As indicated above, the Group has adopted HKFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 2.27.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5%.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 "Determining whether an Arrangement contains a Lease".

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019
(All amounts expressed in RMB'000 unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) Changes in accounting policies (continued)

HKFRS 16 Leases (continued)

(ii) Measurement of lease liabilities

	2019
Operating lease commitments disclosed as at 31 December 2018	585,595
Discounted using the lessee's incremental borrowing rate of at the date of initial application	495,149
(Less) : short-term leases recognised on a straight-line basis as expense	(4,750)
Lease liability recognised as at 1 January 2019	490,399

(iii) Measurement of right-of-use assets

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

(iv) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets – increase by RMB468,646 thousand,
- prepayments and other payables – increase by RMB21,753 thousand,
- lease liabilities – increase by RMB490,399 thousand.

There was no impact on accumulated losses on 1 January 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(b) *New and revised standards not yet adopted*

All HKFRSs that remain in effect which are relevant to the Group have been applied except HKFRS 9, as the Group qualifies for a temporary exemption from HKFRS 9 which was provided in HKFRS 4 Amendments.

The Group has not applied the following key new and revised HKFRSs that have been issued but are not yet effective, in these consolidated financial statements:

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2021

HKFRS 9 and HKFRS 4 Amendments

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income ("OCI") and fair value through statement of comprehensive income. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI which are not recycled to profit or loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually used for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. The Group is eligible to and has elected to apply the temporary option to defer the effective date of HKFRS 9 under the amendments to HKFRS 4 'Insurance contracts'. The impact of the adoption of HKFRS 9 on the Group's consolidated financial statements will, to a large extent, have to take into account the interaction with the issued insurance contracts standard. The Group is defined as an insurer with its activities predominantly connected with insurance. The Group will not adopt the HKFRS 9 until 1 January 2021.

Financial assets meeting Solely for Payment of Principal and Interest (SPPI) test are relevant financial assets of which the contractual cash flows generated on a specific date are solely payments of principal and interest on the principal amount.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019
(All amounts expressed in RMB'000 unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(b) New and revised standards not yet adopted *(continued)*

HKFRS 9 and HKFRS 4 Amendments (continued)

Additional disclosures of financial assets listed in financial assets at fair value through profit or loss, available-for-sale financial assets, investments classified as loans and receivables are as follows:

	31 December 2019 Fair value	2019 Change in the fair value
Financial assets held for trading (A)	6,220,536	167,115
Financial assets managed and whose performance evaluated on a fair value basis (B)	—	—
Financial assets other than A or B		
– Financial assets meet SPPI (C)	8,840,422	72,515
– Financial assets not meet SPPI	4,636,926	(159,385)
Total	19,697,884	80,245

Credit risk rating grades of financial assets meet SPPI(C)	31 December 2019 Carrying amounts
AAA	7,310,535
A-1	—
AA+	1,333,477
AA	176,057
C	20,353
Total	8,840,422

	31 December 2019	
	Carrying amounts	Fair value
Financial assets not have low credit risk	20,353	20,353

Except for the above assets, other financial assets other than cash held by the Group, including securities purchased under agreements to resell, loans and advances to customers, term deposits, restricted statutory deposits, etc., are financial assets, which meet the SPPI conditions. The carrying amounts are close to their fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(b) ***New and revised standards not yet adopted*** *(continued)*

HKFRS 17

HKFRS 17 was issued in May 2017 and will replace the current HKFRS 4 Insurance Contracts. It applies to the measurement of insurance contracts issued, all reinsurance contracts and investment contracts with discretionary participating features. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin ("CSM") representing the unearned profit of the contract which is recognized as revenue over the coverage period.

The standard is currently mandatorily effective for annual periods beginning on or after 1 January 2021 and earlier application is permitted. On 17 March 2020, the International Accounting Standards Board ("IASB") completed its discussions on the amendments to IFRS 17 and tentatively decided that the effective date of the IFRS 17 will be deferred to annual reporting periods beginning on or after 1 January 2023. The Board had also tentatively proposed to extend to 2023 the temporary exemption for insurers to apply the financial instruments standard, IFRS 9, so that both IFRS 9 and IFRS 17 can be applied at the same time. The HKICPA has not yet made any announcements related to IASB proposed deferral for IFRS 17. The impact is expected to be significant. The Group is in the process of assessing the impact of adoption of HKFRS 17.

There are no other HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019
(All amounts expressed in RMB'000 unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of net profit/(loss) of associates accounted for using equity method' in the statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the statement of comprehensive income.

2.2.4 Joint Ventures

The Group has assessed the nature of its jointly controlled entities and determined them to be joint ventures. The Group has rights to the net assets of these jointly controlled entities. The Group's investments in its jointly controlled entities are accounted for using the equity method of accounting, less any impairment losses. Refer to Note 2.2.3 for details of the equity method of accounting.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019
(All amounts expressed in RMB'000 unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions. The Group has determined the management team represented by the Chief Executive Officer as its chief operating decision maker.

The measurement of segment assets and liabilities, as well as segment revenue, expense and results is based on the Group's accounting policies. There is no difference between the accounting policies used in the preparation of the Group's financial statements and those used in preparing the operating segment information.

Segment revenue, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

2.4 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Group entities

The results and financial position of all the Group's entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Property and equipment

Property and equipment can be recognized only when future economic benefits expected to be obtained from the use of the item will flow into the Group and its cost can be measured reliably. Expenditure incurred after items of property and equipment have been put into operation is normally charged to the statement of comprehensive income in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has met the recognition criteria, the expenditure is capitalized as an additional cost of that asset and the confirmation of the book value of the replaced part should be stopped.

Property and equipment are initially measured at cost after considering the impact of the expected disposal expenses. The cost of an item of property and equipment comprises its purchase price, related taxes and fees and any directly attributable costs of bringing the asset to its intended use.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The expected useful life, estimated residual value rate and annual depreciation rate used for this purpose are as follows:

Category	Expected useful life	Estimated residual value rate	Annual depreciation rate
Electrical equipment	5 years	5%	19%
Office furniture and equipment	5 years	5%	19%
Motor vehicles	5 years	5%	19%
Leasehold improvements	1.25-10 years	0%	10%-80%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "General and administrative expenses" in the statement of comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019
(All amounts expressed in RMB'000 unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Intangible assets

The Group's intangible assets include patent, computer software and Chinese domain name registration.

Intangible assets can be recognized only when future economic benefits expected to be obtained from the use of the item will flow into the Group and its cost can be measured reliably. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

The useful lives of intangible assets are assessed by the period of bringing economic benefits for the Group. If the period of bringing economic benefits cannot be determined, intangible assets will be classified as indefinite intangible assets.

The expected useful lives of intangible assets are as follows:

	Expected useful life
Patent	10 years
Trademark	10 years
Software	2-10 years
Chinese domain name registration	10 years

Intangible assets with finite lives are subsequently amortized on the straight-line basis over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed, and adjusted if appropriate, at least at each year end.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

2.8 Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed. The recoverable amount of such CGU is mainly contributed by discounted cash flows from operations after considering the parameters including but not limited to income streams, estimated cost of sales and etc.

2.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated as at fair value through profit of loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial assets designated as at fair value through profit of loss at inception are those that are:

- Held in internal funds to match insurance and investment contracts liabilities that are linked to the changes in fair value of these assets. The designation of these assets to be at fair value through profit or loss eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; and
- Managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the Group's key management personnel. The Group's investment strategy is to invest in equity and debt securities and to evaluate them with reference to their fair values. Assets that are part of theses portfolios are designated upon initial recognition at fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables mainly comprise different kinds of account receivables, loans and advances to customers, investments classified as loans and receivables, term deposits, restricted statutory deposits and securities purchased under agreements to resell. After initial measurement, such assets are subsequently carried at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. Gains and losses are recognized in the statement of comprehensive income as "Net investment income" when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are subsequently measured at amortized cost less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets (continued)

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'Net fair value changes through profit or loss' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of investment income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale financial assets are recognised in other comprehensive income.

When securities classified as available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in the statement of comprehensive income as net realized gains/(losses) on financial assets.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of comprehensive income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income when the Group's right to receive payments is established.

2.11 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Fair value measurement (continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models. For discounted cash flow techniques, estimated future cash flows are based on directors' best estimates and the discount rate used is a market related rate for a similar instrument. Certain financial instruments, including derivative financial instruments, are valued using pricing models that consider, among other factors, contractual and market prices, correlation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair values of floating rate and overnight deposits with credit institutions are their carrying values. The carrying value is the cost of the deposit and accrued interest. The fair value of fixed interest-bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the balance sheet date.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.13 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The related collateral value shall also be taken into account. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition or the current effective interest rate if a loan has a variable interest rate).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognized in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Impairment of financial assets (continued)

Assets classified as available for sale

For debt securities, if any such evidence of impairment exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated statement of comprehensive income.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income. The Group inspects the equity investments individually at the balance sheet date. Recognition of an impairment loss is required if the fair value is below the initial investment cost by more than 50% (included) or for a continuous period of more than one year (included). The Group uses the weighted average method to calculate the initial costs of available-for-sale equity investments.

2.14 Securities purchased under agreements to resell

The Group enters into purchases of securities under agreements to resell substantially identical securities. These agreements are classified as loans and receivables. The amount advanced under these agreements are reflected as assets in the balance sheet. The Group does not take physical possession of securities purchased under agreements to resell. In the event of default by the counterparty to repay the loan, the Group has the right to the underlying securities.

2.15 Reinsurance

The Group cedes insurance risk in the normal course of business. Reinsurance agreements that transfer significant insurance risk are treated as reinsurance contracts; reinsurance agreements that do not transfer significant insurance risk are not treated as reinsurance contracts.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. At the recognition of direct insurance revenue, the Group recognizes premiums ceded and reinsurance claims recoverable as income and expenses. In the period of recognizing unearned premium reserves and outstanding claim reserves, the Group recognizes reinsurance assets based on estimated cash flow and margin factors.

Reinsurance assets and direct insurance contract liabilities are shown separately in balance sheet. Also, reinsurance income and expenses cannot be offset by direct insurance contract income and expenses in the statement of comprehensive income.

2.16 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits with original maturity of no more than three months, placements with banks, due from banks and other monetary assets.

Notes to the Consolidated Financial Statements

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Non-controlling interest

Non-controlling interests are presented in the consolidated balance sheet with equity, separately from equity attributable to owners of the parent. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit and the shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate the cost on initial recognition of an investment in an associate or joint venture.

2.19 Insurance contracts

Insurance contracts are those contracts under which the Group has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. Insurance contracts are classified as direct insurance contracts and reinsurance contracts. The significance of insurance risk as determined by the Group is dependent on both the probability of an insurance event and the magnitude of its potential effect.

Contracts that only transfer insurance risk are treated as insurance contracts. If the Group signs contracts with policyholders which transfer insurance risk as well as other risks, the treatments would depend on:

- If the insurance risk portion and other risk portion are distinct and separately measurable, the insurance risk portion and other risk portion should be unbundled. The portion with insurance risk should be treated as an insurance contract, while the portion with other risks should not be treated as an insurance contract.

- If the insurance risk portion and other risk portion cannot be distinct, or if they are distinct but cannot be separately measurable, the whole contract should be treated as an insurance contract if the insurance risk is significant; the whole contract should not be treated as an insurance contract if the insurance risk is insignificant.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Testing the significance of insurance risk

For contracts issued by the Group which require testing the significance of insurance risk, it should be performed at the initial recognition of such contracts, and based on a group of contracts with a similar nature.

When testing the significance of insurance risk, the Group makes judgements in this sequence: (i) whether the contract transfers insurance risk; (ii) whether the contract has commercial substance; (iii) whether the insurance risk transferred is significant.

When determining whether the contracts (or policies) transfer significant insurance risk, the Group considers: (i) annuity contracts that transfer longevity risk are treated as insurance contracts; (ii) for non-annuity contracts, if the insurance risk ratio is greater than or equal to 5% at certain points of time during the duration of the contracts, they are treated as insurance contracts; the insurance risk ratio is derived by comparing the benefits paid with the benefits payable if the insured event did not occur. For property and casualty and short-term life policies that obviously transfer significant risk, the Group recognizes them as insurance contracts directly.

When determining whether reinsurance policies transfer significant insurance risk, the Group considers thoroughly the commercial substance and other relevant contracts and agreements, and if the insurance risk ratio of reinsurance policies is greater than 1%, they are treated as reinsurance contracts. The insurance risk ratio of reinsurance policies is derived by comparing the present value of probability-weighted expected loss with the present value of expected reinsurance premiums. If the reinsurance policies obviously transfer significant insurance risk, the Group directly recognizes them as reinsurance contracts.

For the purpose of testing the significance of insurance risk, contracts of a similar nature are grouped together. Through considering the risk distribution and characteristics, the Group selects sufficient representative samples to test the significance of insurance risk. If most samples transfer significant insurance risk, all contracts in the Group are treated as insurance contracts.

The assumptions used for testing the significance of insurance risk mainly include expected ultimate loss ratio, mortality and morbidity, loss distribution, etc. The Group determines such assumptions based on historical experiences and the estimation on future development trends so as to reflect the Group's product characters and actual claim payments.

2.21 Insurance contract liabilities

The Group's insurance contract liabilities include unearned premium reserves and claim incurred reserves.

When measuring insurance contract liabilities, insurance contracts whose insurance risks are of a similar nature are classified as a measurement unit. The Group's contracts mainly include health insurance, bond insurance, accident insurance, motor insurance, credit insurance, cargo insurance, liability insurance, household property insurance and other insurance.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Insurance contract liabilities (continued)

Insurance contract liabilities are measured based on a reasonable estimate of the amount of payments when the Group fulfils relevant obligations under the insurance contracts, which represents the difference between expected future cash outflows and inflows under such contracts.

- Expected future cash outflows represent reasonable cash outflows which are necessary for the Company to fulfil relevant obligations under the insurance contracts, and mainly include: (a) guaranteed benefits or claims under the insurance contracts; (b) reasonable expenses necessary for maintaining and serving the insurance contracts, claims handling, including policy maintenance expenses, claim expenses, etc.
- Expected future cash inflows represent cash inflows from assuming insurance contractual obligations, including premiums and other charges.

Reasonable estimate of expected net future cash flows is determined based on information currently available at the balance sheet date.

Margins are considered and separately measured in determining insurance contract liabilities. Margins are released in the statement of comprehensive income over the insurance coverage period using systematic and reasonable methods. Margins include risk margin and residual margin.

- Risk margin represents provision for the uncertainty associated with the future net cash flows.
- At inception of an insurance contract, any "day-one" gain is not recognised in the statement of comprehensive income, but included in the insurance contract liabilities as a residual margin. At inception of an insurance contract, any "day-one" loss is recognised in the statement of comprehensive incomes.

The Group amortises the residual margin on a time basis during the whole insurance coverage period and records it in profit or loss.

When measuring insurance contract liabilities, time value of money is considered. The related future cash flows are discounted when the impact of time value of money is significant. For short duration contracts which duration is within one year, the cash flows are not discounted. The discount rate used in the measurement of time value of money is determined with reference to information currently available as at the end of each reporting date and is not locked.

Unearned premium reserves

Unearned premium reserves are measured by using the unearned premium approach. At inception of the contract, unearned premium reserves are measured based on premiums received with deduction of relevant acquisition costs such as commission charge, business tax, insurance guarantee fund, supervision fees, etc. After initial recognition, unearned premium reserves are released over the term of the contract using a 365-day basis or other methods regarding relevant nature and risk distribution.

The Group performs liability adequacy tests using discounted cash flow method at the balance sheet date. Additional insurance contract liabilities should be made and recognized in the statement of comprehensive income if any deficiency exists.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Insurance contract liabilities (continued)

Claim reserves

Claim reserves represent insurance contract provisions for non-life insurance accidents, which include incurred and reported claim reserves, incurred but not reported ("IBNR") claim reserves and claim expense reserves.

Incurred and reported claim reserves represent insurance contract provisions for the claims incurred and reported to the Group. The Group uses case-by-case estimate method to measure incurred and reported claim reserves based on a reasonable estimate of the ultimate claims amount and the margin factor.

IBNR claim reserves represent insurance contract provisions for the claims incurred but not reported to the Group. The Group uses loss ratio method and chain ladder method to measure IBNR claim reserves based on a reasonable estimate of the ultimate claims amount and the margin factor, and after considering industry benchmark and experience data, etc.

Claim expense reserves represent insurance contract provisions for related claims handling costs. The Group uses case-by-case estimate method for direct claim expense reserves and ratio allocation method to measure indirect claim expense reserves with consideration of margin factor.

2.22 Securities sold under agreements to repurchase

Securities sold under agreements to repurchase are financial liabilities and are recorded at amortized cost. The Group may be required to provide additional collateral based on the fair value of the underlying securities and such collateral assets continued to be carried on the balance sheet.

2.23 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Current and deferred income tax (continued)

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The tax effects of carry-forwards of unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred income tax related to fair value re-measurement of available-for-sale investments and cash flow hedges, which are charged or credited directly in other comprehensive income, is also credited or charged directly to other comprehensive income and subsequently recognised in the consolidated statement of comprehensive income together with the deferred gain or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be recovered.

2.24 Employee benefits

(a) Pension schemes

The employees of the Group participate in various defined contribution pension plans principally organised by municipal and provincial governments. The Group makes and accrues contributions to the pension plans based on certain percentages of the salaries of the employees on a monthly basis. The Group has no other significant legal or constructive obligations for retirement benefits beyond the said contributions, which are expensed as incurred.

The Group pays early retirement benefits to those employees who accept early retirement arrangements approved by management. Early retirement benefits are paid to those employees who voluntarily retire before the normal retirement date. The related benefit payments are made from the date of early retirement through the normal retirement date. The Group records a liability for the present value of its early retirement obligation when employees retire early.

(b) Housing benefits

The employees of the Group are entitled to participate in various government sponsored housing funds. The Company and its subsidiaries contribute on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(c) Medical benefits

The Group makes contributions for medical benefits to the local authorities in accordance with the relevant local regulations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- Including any market performance conditions;
- Excluding the impact of any service and non-market performance vesting conditions;
- Including the impact of any non-vesting conditions.

At the end of each reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

If the terms of an equity-settled award are modified, at a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

2.26 Revenue recognition

Revenue is recognized on the following bases:

(a) Premium revenue

Premium revenue is recognized when the insurance contract is issued and the related insurance risk is undertaken by the Group, the economic benefits associated with the insurance contract will probably flow to the Group and when the revenue can be measured reliably.

Premiums from direct insurance contracts are recognized as revenue based on the amount of total premiums stated in the contracts.

(b) Investment and interest income

Investment income includes interest from term deposits, fixed maturity securities, securities purchased under agreements to resell, dividends from investment funds and securities, etc.

Interest income is recognized on an accrual basis using the effective interest rate method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Dividends are recognized when the shareholders' right to receive payment is established.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Revenue recognition (continued)

(c) Revenue from services

The Group provides services including IT system solution, design, implementation and support under fixed-price. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual labour hours spent relative to the total expected labour hours.

Some contracts include multiple deliverables, such as the sale of software and related installation services. However, the installation is simple, does not include an integration service and could be performed by another party. It is therefore accounted for as a separate performance obligation. If contracts include the installation of software, revenue for the software is recognised at a point in time when the software is delivered, the legal title has passed and the customer has accepted the software.

Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

If the contract includes an hourly fee, revenue is recognised in the amount to which the Group has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced.

(d) Sale of goods

Revenue from the sale of product is recognised when a group entity sells a product to the customer. Payment of the transaction price is due immediately when the customer purchases the product.

2.27 Leases

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases.

Leases are recognised as a right-of-use asset and a corresponding liability at the date when the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.27 Leases (continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the company, which does not have recent third party financing, and
- makes adjustments specific to the lease (e.g., term, country, currency and security).

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2.28 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to assets included in the liabilities as deferred government grants and are credited to the statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires the directors of the Company to make judgements and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

3.1 Valuation of insurance contract liabilities

When measuring the insurance contract liabilities, the Group needs to make a reasonable estimate of the amounts that the Group is required to pay in fulfilling the obligations under the insurance contracts. Such estimates are determined by calculating various possible outcomes and relevant probabilities based on information currently available as at the balance sheet date.

At the balance sheet date, the Group makes estimates of the assumptions used in the measurement of insurance contract liabilities. The Group determines such assumptions based on information currently available as at the balance sheet date and a risk adjustment is considered.

Unearned premium reserves

When performing liability adequacy tests of unearned premium reserves, the Group use discounted cash flow method to judge if any deficiency exists. Main assumptions in measuring discounted cash flow include discount rate, expense assumptions, loss ratios and risk margin, etc.

(a) Discount rate

Cash flow will not be discounted when being measured because the durations of the majority of insurance category are less than 1 year.

(b) Expense assumptions

The Group develops its expense assumption on its expense analysis and future expectation for policy acquisition costs and maintenance expenses.

The Group's expense assumption is determined based on industry analysis, industry standards and economic environment. The Group's expense assumption is affected by certain factors, such as inflation, market competition and other factors. The Group uses information currently available as at the balance sheet date to determine expense assumption and a risk adjustment is considered.

(c) Loss ratios

The Group develops its loss ratio assumption on analysis of its historical claims payments experience, future development trends and industry experiences.

(d) Risk margin

The risk margin represents provision for the uncertainty associated with the future cash flows. The risk adjustment is determined by reference to the industry benchmark and the risk adjustments for future cash flows are 5.5 percent and 15 percent of unbiased estimate of future net cash flow present value.

Claim reserves

Claim reserve depends mainly on claim development factors and expected ultimate loss ratio to predict the future cost of claims. Claim developments factors and the expected ultimate loss ratio for various measurement units are based on past claims development experience and loss ratios, taking into consideration changes in the Group's policies such as the underwriting policy, expenses and claims handling, and changing trends in external environments such as economic conditions, regulations and legislation. The Group determined the risk margin assumptions for claim reserves based on the available information at the end of each of the reporting date. In assessing claim reserves, the risk margins were determined at 5 percent and 7 percent.

4 Segment reporting

The Group's operating segments are listed as follows:

- The insurance segment offers a wide range of online P&C insurance business;
- The technology segment provides IT related business and international IT consulting to its customers;
- The others segment includes entities other than the insurance segment and the technology segment, which provides insurance brokerage, banking, bio technology services and etc.

The measurement of segment assets and liabilities, as well as segment revenue, expense and results is based on the Group's accounting policies. There is no difference between the accounting policies used in the preparation of the Group's financial statements and those used in preparing the operating segment information.

99. 3% of the Group's revenue is derived from its operations in the PRC. 92.8% of the Group's assets are located in PRC. In 2019, the income from transactions with the top five external customers amounted to 2.4% (2018: 12.1%) of the Group's total segment income.

Segment statement of comprehensive income for the year ended 31 December 2019

	Insurance	Technology	Others	Eliminations	Total
Gross written premiums	14,633,403	—	—	(3,814)	14,629,589
Less: Premiums ceded to reinsurers	(234,148)	—	—	—	(234,148)
Net change in unearned premium reserves	(1,593,009)	—	—	(981)	(1,593,990)
Net premiums earned	12,806,246	—	—	(4,795)	12,801,451
Net Investment income	1,738,704	5,895	26,656	4,531	1,775,786
Net fair value changes through profit or loss	162,183	7,586	127	—	169,896
Share of net profit/(loss) of associates and joint ventures accounted for using the equity method	1,086	(7,313)	(29,176)	(8,543)	(43,946)
Other income	63,569	279,529	187,403	(153,670)	376,831
Segment income	14,771,788	285,697	185,010	(162,477)	15,080,018
Net claims incurred	(8,626,104)	—	—	1,415	(8,624,689)
Handling charges and commissions	(934,814)	—	—	24,905	(909,909)
Foreign exchange gains/(losses)	(9)	(988)	2,959	—	1,962
Finance costs	(99,934)	(9,877)	(1,293)	8	(111,096)
General and administrative expenses	(5,076,496)	(106,576)	(248,886)	15,099	(5,416,859)
Other expenses	(2,504)	(499,901)	(252,951)	125,091	(630,265)
Segment expenses	(14,739,861)	(617,342)	(500,171)	166,518	(15,690,856)
Profit/(Loss) before income tax	31,927	(331,645)	(315,161)	4,041	(610,838)
Income tax	(24,326)	(2,702)	(779)	—	(27,807)
Net profit/(loss)	7,601	(334,347)	(315,940)	4,041	(638,645)

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4 Segment reporting (continued)

Segment balance sheet as at 31 December 2019

	Insurance	Technology	Others	Eliminations	Total
Cash and cash equivalents	626,720	437,614	1,850,486	—	2,914,820
Financial assets (a)	19,920,826	358,920	223,376	—	20,503,122
Insurance receivables (b)	4,045,315	—	—	—	4,045,315
Investment in associates, joint ventures and subsidiaries	2,753,650	847,615	79,400	(3,067,356)	613,309
Other assets	2,520,366	768,634	262,040	(720,031)	2,831,009
Segment assets	29,866,877	2,412,783	2,415,302	(3,787,387)	30,907,575
Insurance contract liabilities	(7,542,699)	—	—	59	(7,542,640)
Securities sold under agreements to repurchase	(4,049,725)	—	—	—	(4,049,725)
Other liabilities	(2,385,089)	(731,350)	(424,730)	731,490	(2,809,679)
Segment liabilities	(13,977,513)	(731,350)	(424,730)	731,549	(14,402,044)

(a) Financial assets comprise financial assets at fair value through profit or loss, securities purchased under agreements to resell, available-for-sale financial assets, loans and advances to customers, investments classified as loans and receivables, term deposits and restricted statutory deposits.

(b) Insurance receivables comprise premium receivables, reinsurance receivables and reinsurers' share of insurance contract liabilities.

Other segment information for the year ended 31 December 2019

	Insurance	Technology	Others	Eliminations	Total
Depreciation and amortization	193,051	86,806	16,170	—	296,027
Capital expenditure	154,007	101,437	36,227	—	291,671
Impairment loss charges	186,560	4,362	250	1,458	192,630
Interest income	(598,205)	(1,568)	(19,356)	—	(619,129)

4 Segment reporting (continued)

Segment statement of comprehensive income for the year ended 31 December 2018

	Insurance	Technology	Others	Eliminations	Total
Gross written premiums	11,263,109	—	—	(7,391)	11,255,718
Less: Premiums ceded to reinsurers	(462,622)	—	—	—	(462,622)
Net change in unearned premium reserves	(1,990,937)	—	—	(1,856)	(1,992,793)
Net premiums earned	8,809,550	—	—	(9,247)	8,800,303
Net Investment income	761,309	439	7,929	4,808	774,485
Net fair value changes through profit or loss	(153,949)	—	—	—	(153,949)
Share of net profits/(loss) of associates and joint ventures accounted for using the equity method	17,727	(10,803)	(94)	—	6,830
Other income	56,328	103,703	41,279	(11,835)	189,475
Segment income	9,490,965	93,339	49,114	(16,274)	9,617,144
Net claims incurred	(5,282,748)	—	—	14,312	(5,268,436)
Handling charges and commissions	(1,074,756)	—	—	—	(1,074,756)
Foreign exchange gains/(losses)	3,275	—	(4,113)	—	(838)
Finance costs	(40,891)	(1,239)	(1,146)	—	(43,276)
General and administrative expenses	(4,437,478)	(25,777)	(160,854)	(2,850)	(4,626,959)
Other expenses	(4,034)	(406,545)	(4,913)	2,452	(413,040)
Segment expenses	(10,836,632)	(433,561)	(171,026)	13,914	(11,427,305)
Loss before income tax	(1,345,667)	(340,222)	(121,912)	(2,360)	(1,810,161)
Income tax	15,355	—	(1,912)	—	13,443
Net loss	(1,330,312)	(340,222)	(123,824)	(2,360)	(1,796,718)

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4 Segment reporting (continued)

Segment balance sheet as at 31 December 2018

	Insurance	Technology	Others	Eliminations	Total
Cash and cash equivalents	944,369	145,792	1,336,668	—	2,426,829
Financial assets	18,669,688	4,780	154,387	(6,743)	18,822,112
Insurance receivables	2,567,881	—	—	—	2,567,881
Investment in associates, joint ventures and subsidiaries	1,322,565	351,516	11,932	(1,341,177)	344,836
Other assets	2,140,855	290,555	71,932	(323,904)	2,179,438
Segment assets	25,645,358	792,643	1,574,919	(1,671,824)	26,341,096
Insurance contract liabilities	5,328,198	—	(2,882)	1,800	5,327,116
Securities sold under agreements to repurchase	2,552,928	—	—	—	2,552,928
Other liabilities	1,809,488	336,149	170,054	(329,312)	1,986,379
Segment liabilities	9,690,614	336,149	167,172	(327,512)	9,866,423

Other segment information for the year ended 31 December 2018

	Insurance	Technology	Others	Eliminations	Total
Depreciation and amortization	88,761	21,802	2,066	—	112,629
Capital expenditure	154,489	123,869	49,844	—	328,202
Impairment loss charges	121,727	761	(43)	14,256	136,701
Interest income	692,908	7,525	281	—	700,714

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

(a) Insurance risk

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

Insurance risk could occur due to any of the following factors:

Occurrence risk – the possibility that the number of insured events will differ from that expected.

Severity risk – the possibility that the cost of the events will differ from that expected.

Development risk – the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefits payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The Group's concentration of insurance risk is reflected by its major lines of business as analysed by gross written premiums in Note 7.

Key assumptions

Outstanding claims reserves are mainly based on assumptions of expected ultimate loss ratio which is determined after considering industry benchmark, experience data, discount and margin factors. Significant cases need to be considered separately and reflected by estimated amount. These assumptions are made in respect of incurred net claim costs, claims handling costs, risk profile of the Group's line of business, claims inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as changes in internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key assumptions include explicit margin, delays in settlement, etc.

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5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(a) Insurance risk (continued)

Sensitivities

Outstanding claim reserves are sensitive to the above key assumptions. The sensitivity of certain variables like legislative changes, uncertainty in the estimation process, is not possible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim reserves are not known with certainty at the balance sheet date.

Ultimate loss ratio change results in changes in outstanding claim reserves. The following table reflects sensitive analysis of key assumptions relevant to outstanding claim reserves. Under the condition when other variables remain constant, changes in net profit before income tax and equity due to expected ultimate loss ratio change and average claim costs change are as follows:

Changes in expected ultimate loss ratio	31 December 2019	
	Impact on profit before income tax	Impact on total equity
+1%	(144,092)	(144,092)
– 1%	144,092	144,092

Changes in expected ultimate loss ratio	31 December 2018	
	Impact on profit before income tax	Impact on total equity
+1%	(91,633)	(91,633)
– 1%	91,633	91,633

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(a) Insurance risk (continued)

Claim development tables

The following tables reflect the cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each balance sheet date, together with cumulative payments to date.

Gross insurance claim reserves:

	Accident year					
	2015	2016	2017	2018	2019	Total
Estimate of ultimate claim cost as of:						
End of current year	1,322,518	1,501,551	2,698,058	5,396,412	8,774,976	
One year later	1,192,162	1,433,179	2,577,762	5,360,642		
Two years later	1,179,983	1,440,112	2,554,264			
Three years later	1,182,255	1,433,121				
Four years later	1,179,953					
Current estimate of cumulative claims	1,179,953	1,433,121	2,554,264	5,360,642	8,774,976	19,302,956
Cumulative payments to date	(1,179,948)	(1,423,177)	(2,447,779)	(4,941,359)	(7,261,905)	(17,254,168)
Liability in respect of prior years, unallocated loss adjustment expenses, discount and risk adjustment margin						125,220
Total gross claim reserves included in the consolidated balance sheet						2,174,008

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5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(a) Insurance risk (continued)

Claim development tables *(continued)*

Net insurance claim reserves:

	Accident year					
	2015	**2016**	**2017**	**2018**	**2019**	**Total**
Estimate of ultimate claim cost as of:						
End of current year	1,304,608	1,494,242	2,638,157	5,161,833	**8,558,688**	
One year later	1,174,671	1,424,327	2,493,902	5,066,558		
Two years later	1,162,482	1,431,445	2,454,326			
Three years later	1,164,753	1,418,764				
Four years later	1,162,453					
Current estimate of cumulative claims	1,162,453	1,418,764	2,454,326	5,066,558	**8,558,688**	18,660,789
Cumulative payments to date	(1,162,448)	(1,413,901)	(2,367,638)	(4,688,337)	**(7,135,195)**	(16,767,519)
Liability in respect of prior years, unallocated loss adjustment expenses, discount and risk adjustment margin						117,445
Total net claim reserves included in the consolidated balance sheet						2,010,715

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(b) Financial risk

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks, which arise from foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

(i) Currency risk

Currency risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group operates principally in the PRC with only limited exposure to foreign exchange rate risk arising primarily from certain foreign currency bank deposit in United States dollar ("USD"), Hong Kong dollar ("HKD"), Japanese yen ("JPY") or Singapore dollar ("SGD").

The following tables summarize the Group's exposure to foreign currency exchange rate risk at the balance sheet date by major foreign currency.

	31 December 2019				
	HKD'000	USD'000	JPY'000	SGD'000	Equivalent to RMB'000
Cash and cash equivalents	2,027,111	20,452	528,868	365	1,994,304
Financial assets at fair value through profit or loss	131,473	—	—	—	117,771
Available-for-sale financial assets	131,674	—	—	—	117,951
Other receivables	4,375	—	204,408	3,866	37,023
Total	2,294,633	20,452	733,276	4,231	2,267,049

	31 December 2018			
	HKD'000	USD'000	JPY'000	Equivalent to RMB'000
Cash and cash equivalents	1,067,315	7,831	172,693	999,615
Financial assets at fair value through profit or loss	117,762	—	—	103,183
Available-for-sale financial assets	36,071	—	—	31,605
Other receivables	17,782	—	—	15,581
Total	1,238,930	7,831	172,693	1,149,984

The Group has no significant concentration of currency risk.

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5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(b) Financial risk (continued)

Market risk *(continued)*

(i) Currency risk *(continued)*

Sensitivities

The analysis below is performed to show the reasonably possible movements in foreign currency exchange rates with all other assumptions held constant, showing the pre-tax impact on profit before tax of the Group (due to changes in fair value of currency sensitive monetary assets and liabilities) and equity of the Group when the foreign exchange rates of USD, HKD, JPY and SGD vary. The correlation of variables will have a significant effect in determining the ultimate impact on currency risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis.

Changes in exchange rate	31 December 2019	
	Impact on profit before income tax	Impact on total equity
+5%	107,455	113,352
– 5%	(107,455)	(113,352)

Changes in exchange rate	31 December 2018	
	Impact on profit before income tax	Impact on total equity
+5%	55,919	57,499
– 5%	(55,919)	(57,499)

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(b) Financial risk (continued)

***Market risk** (continued)*

(ii) Interest rate risk

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

The Group's interest risk policy requires it to manage interest rate risk by maintaining an appropriate match of fixed and variable rate instruments. The policy also requires it to manage the maturity of interest-bearing financial assets and interest-bearing financial liabilities.

Sensitivities

The analysis below is performed for reasonably possible movements in interest rate with all other variables held constant, for the following financial instruments, showing the pre-tax impact on profit before income tax and total equity. Since almost all financial instruments of the Group that bear interest rate risks are financial instruments denominated in RMB, the sensitivity analysis below only shows the pre-tax impact of RMB financial instruments on the Group's profit before income tax and total equity when RMB interest rate changes.

Changes in RMB interest rate	31 December 2019	
	Impact on profit before income tax	Impact on total equity
+50 basis points	(46,477)	(121,212)
– 50 basis points	47,859	124,437

Changes in RMB interest rate	31 December 2018	
	Impact on profit before income tax	Impact on total equity
+50 basis points	(95,110)	(157,913)
– 50 basis points	99,368	163,810

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5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(b) Financial risk (continued)

***Market risk** (continued)*

(iii) Price risk

Equity price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Sensitivities

The analysis below is performed to show the reasonably possible movements in price with all other assumptions held constant, showing the pre-tax impact on profit before income tax and total equity of the Group when the price of relevant financial instruments vary.

Changes in price	31 December 2019	
	Impact on profit before income tax	Impact on total equity
+5%	38,748	203,705
– 5%	(38,748)	(203,705)

Changes in price	31 December 2018	
	Impact on profit before income tax	Impact on total equity
+5%	61,388	111,582
– 5%	(61,388)	(111,582)

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(b) Financial risk (continued)

Credit risk

Credit risk refers to the risk that one party to the financial instrument can not fulfill its obligations and cause financial loss to the other party.

The Group's credit risk is mainly associated with bank deposits, bond investments, premium receivables, reinsurance arrangements with reinsurance companies, securities purchased under agreements to resell, investments classified as loans and receivables, and etc.

The Group's bank deposits are mainly deposited in state-owned commercial banks and financial institutions which are generally considered to be relatively stable. The Group considers that there is no significant credit risk and does not generate any material losses due to the default of the other parties.

As the Group's investment types are limited by the CIRC, the Group's debt-based investments mainly include government bonds and corporate bonds, etc. As at 31 December 2019, the majority of corporate bonds and short-term corporate financing bonds held by the Group had domestic credit rating AA+ or above. The credit rating of the bond is provided by a qualified assessment agency.

The Group's premium receivables mainly come from customers. The Group mitigates credit risk by setting a shorter credit period or arranging the installment payment method. The Group regularly evaluates the credit status of reinsurance companies and selects reinsurance companies with higher credit qualifications to carry out reinsurance business.

The Group's loan and advances to customers are mainly derived from individual customers. The Group assess the credit status of customers on a regular basis and takes necessary actions to ensure the recoverability of the loans.

The Group reduces credit risk by utilizing credit control policies, undertaking credit analysis on potential investments, and imposing aggregate counterparty exposure limits. The Group determines the amount and type of collateral required according to the credit risk assessment of the counterparty.

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5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(b) Financial risk (continued)

Credit risk *(continued)*

The following table shows the maximum credit risk exposure to assets in the balance sheet that face credit risk. The maximum credit risk exposure is the amount prior to the consideration of the guarantee or other credit enhancement methods.

	31 December 2019					
		Past due but not impaired				
	Neither past due nor impaired	Less than 1 year	More than 1 year	Total past due but not impaired	Impaired	Total
Cash and cash equivalents	2,914,820	—	—	—	—	2,914,820
Financial assets at fair value through profit or loss	4,181,824	—	—	—	—	4,181,824
Securities purchased under agreements to resell	160,000	—	—	—	—	160,000
Premium receivables	3,532,160	—	—	—	180,657	3,712,817
Reinsurance receivables	238,028	—	—	—	—	238,028
Interest receivables	306,078	—	—	—	—	306,078
Available-for-sale financial assets	7,542,883	—	—	—	97,551	7,640,434
Investments classified as loans and receivables	1,276,676	—	—	—	—	1,276,676
Loans and advances to customers	50,900	—	—	—	—	50,900
Term deposits	300,000	—	—	—	—	300,000
Restricted statutory deposits	294,338	—	—	—	—	294,338
Others	1,004,591	—	—	—	—	1,004,591
Total	21,802,298	—	—	—	278,208	22,080,506

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(b) Financial risk (continued)

***Credit risk** (continued)*

	31 December 2018					
		Past due but not impaired				
	Neither past due nor impaired	Less than 1 year	More than 1 year	Total past due but not impaired	Impaired	Total
Cash and cash equivalents	2,426,829	—	—	—	—	2,426,829
Financial assets at fair value through profit or loss	6,474,854	—	—	—	—	6,474,854
Securities purchased under agreements to resell	1,038,887	—	—	—	—	1,038,887
Premium receivables	2,037,286	—	—	—	11,133	2,048,419
Reinsurance receivables	287,379	—	—	—	—	287,379
Interest receivables	377,895	—	—	—	—	377,895
Available-for-sale financial assets	5,377,096	—	—	—	100,000	5,477,096
Investments classified as loans and receivables	597,069	—	—	—	—	597,069
Loans and advances to customers	69,858	1,437	—	1,437	15,102	86,397
Term deposits	960,000	—	—	—	—	960,000
Restricted statutory deposits	293,963	—	—	—	—	293,963
Others	838,720	—	—	—	—	838,720
Total	20,779,836	1,437	—	1,437	126,235	20,907,508

Liquidity risk

The Group is exposed to liquidity risk on insurance products that permit surrenders, withdrawals or other forms of early termination, benefits or claims of the insurance and other daily expenses. The Group seeks to manage its liquidity risk by matching, to the extent possible, the duration of its investment assets with the duration of its insurance products and ensuring that the Group is able to meet its payment obligations and fund its lending and investment operations on a timely basis.

The following policies and procedures are in place to mitigate the Group's exposure to liquidity risk:

- Implementing liquidity risk policy by setting out the assessment and determination of what constitutes liquidity risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Group's risk management committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.

- Setting out guidelines on asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure that sufficient funding is available to meet insurance contract obligations.

- Setting up contingency funding plans which specify the minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.

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5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(b) Financial risk (continued)

***Liquidity risk** (continued)*

The tables below summarize the maturity profiles of the financial assets and financial liabilities of the Group based on remaining undiscounted cash flows.

	31 December 2019					
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Assets:						
Cash and cash equivalents	2,914,820	—	—	—	—	2,914,820
Financial assets at fair value through profit or loss	—	692,437	3,250,131	820,458	2,038,712	6,801,738
Securities purchased under agreements to resell	—	160,000	—	—	—	160,000
Premium receivables	—	3,532,160	—	—	—	3,532,160
Reinsurance receivables	—	238,028	—	—	—	238,028
Available-for-sale financial assets	—	1,848,373	5,885,094	878,355	4,636,925	13,248,747
Investments classified as loans and receivables	—	151,374	1,078,538	326,363	—	1,556,275
Loans and advances to customers	—	1,913	50,326	—	—	52,239
Term deposits	—	—	382,500	—	—	382,500
Restricted statutory deposits	—	—	330,729	—	—	330,729
Other assets	—	955,162	49,429	—	—	1,004,591
Total	2,914,820	7,579,447	11,026,747	2,025,176	6,675,637	30,221,827
Liabilities:						
Securities sold under agreements to repurchase	—	4,049,725	—	—	—	4,049,725
Reinsurance payables	—	218,060	—	—	—	218,060
Other liabilities	—	1,379,991	—	—	262,694	1,642,685
Total	—	5,647,776	—	—	262,694	5,910,470

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(b) Financial risk (continued)

***Liquidity risk** (continued)*

	31 December 2018					
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Assets:						
Cash and cash equivalents	2,356,829	70,027	—	—	—	2,426,856
Financial assets at fair value through profit or loss	—	1,270,667	4,986,923	1,689,882	2,813,230	10,760,702
Securities purchased under agreements to resell	—	1,038,887	—	—	—	1,038,887
Premium receivables	—	2,026,922	10,363	—	—	2,037,285
Reinsurance receivables	—	287,379	—	—	—	287,379
Available-for-sale financial assets	—	1,303,289	4,068,784	1,039,854	1,174,854	7,586,781
Investments classified as loans and receivables	—	35,250	343,103	389,900	—	768,253
Loans and advances to customers	—	71,295	—	—	—	71,295
Term deposits	—	301,065	837,300	—	—	1,138,365
Restricted statutory deposits	—	49,193	276,227	—	—	325,420
Other assets	—	756,349	82,371	—	—	838,720
Total	2,356,829	7,210,323	10,605,071	3,119,636	3,988,084	27,279,943
Liabilities:						
Securities sold under agreements to repurchase	—	2,552,928	—	—	—	2,552,928
Reinsurance payables	—	355,271	—	—	—	355,271
Borrowing	—	59,716	—	—	—	59,716
Other liabilities	—	1,092,396	—	—	19,522	1,111,918
Total	—	4,060,311	—	—	19,522	4,079,833

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5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(b) Financial risk (continued)

Maximum exposure of structured entities

The Group uses structured entities in the normal course of business for a number of purposes, for example, structured transactions for institutions, to provide finance to public and private section infrastructure projects, and to generate fees from managing assets on behalf of third-party investors. These structured entities are financed through the contracts.

The following table shows the total assets of the various types of unconsolidated structured entities. The table also shows the Group's maximum exposure to the unconsolidated structured entities representing the Group's maximum possible risk exposure that could occur as a result of the Group's arrangements with structured entities. The maximum exposure is contingent in nature and approximates the sum of the total assets of unconsolidated structured entities.

As at 31 December of 2019, Group's maximum exposure are shown below:

	31 December 2019
Wealth management products	2,576,079
Funds investments	1,991,588
Trust investment schemes	1,276,676
Unlisted equity investments	25,450
Total	5,869,793

(c) Operational risk

Operational risk is the risk of loss arising from inadequacy or failure on business processes, human error, information system failure, and etc. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial losses.

The Group is exposed to many types of operational risks in the conduct of its business, from inadequate or failure to obtain proper authorizations or supporting documentation to comply with operational and informational security procedures that prevent frauds or errors by employees, payment security, system attack and Trojan virus such information risks based on the Internet.

The Group cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access controls, authorization and reconciliation procedures, staff education and assessment processes, including the use of compliance check and internal audit.

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(d) Capital management risks

The capital demands of the Group is mainly based on the Company size, types of debt business, industry and geographic location. Further objectives are set by the Group to maintain a strong credit rating and healthy solvency margin capital ratios in order to support its business objectives and maximize shareholders' value.

The Group manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. The Group will adjust the capital level when the economic condition and risk characteristics of the operating activities changes.

At 31 December of 2019, the Group was fully in compliance with externally required capital requirement. The Group has formally implemented China Risk Oriented Solvency System since 1 January 2016 by reference to the "Notice on the Formal Implementation of China Risk Oriented Solvency System by CIRC".

The table below summarizes the core capital, actual capital and minimum required capital of the Company according to CIRC's solvency rules.

	31December 2019	31 December 2018
Core capital	14,587,980	15,135,283
Actual capital	14,587,980	15,135,283
Minimum required capital	2,903,217	2,524,270
Core solvency margin ratio	502%	600%
Comprehensive solvency margin ratio	502%	600%

According to the relevant regulations, if the actual solvency margin of an insurance company falls below the minimum solvency margin, the CIRC may take additional necessary measures depending on the circumstances, until the minimum solvency margin requirement is satisfied.

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5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(e) Fair value measurement

Fair value estimates are made at a specific point in time based on relevant market information and information about financial instruments. When an active market exists, such as an authorized securities exchange, the market value is the best reflection of the fair values of financial instruments. For financial instruments where there is no active market, fair value is determined using valuation techniques.

The Group's financial assets mainly include cash and cash equivalents, financial assets at fair value through profit or loss, available-for-sale financial assets, restricted statutory deposits, and etc.

Determination of fair value and fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchies. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The levels of the fair value hierarchy are as follows:

(a) Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities ("Level 1");

(b) Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) ("Level 2"); and

(c) Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) ("Level 3").

The level of fair value calculation is determined by the lowest level input with material significant in the overall calculation. As such, the significance of the input should be considered from an overall perspective in the calculation of fair value.

For Level 2 financial instruments, valuations are generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. 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. Debt securities traded among Chinese interbank market are classified as Level 2 when they are valued at recent quoted price from Chinese interbank market or from valuation service providers. Substantially most financial instruments classified within Level 2 of the fair value hierarchy are debt investments denominated in RMB. Fair value of debt investments denominated in RMB is determined based upon the valuation results by the China Central Depository & Clearing Co., Ltd, China Securities Depository and Clearing Corporation Limited and Shanghai Clearing House. All significant inputs are observable in the market.

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(e) Fair value measurement (continued)

Determination of fair value and fair value hierarchy *(continued)*

For Level 3 financial instruments, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement, and valuation methodologies such as discounted cash flow models and other similar techniques. The Group's valuation team may choose to apply internally developed valuation method to the assets or liabilities being measured, determine the main inputs for valuation, and analyse the change of the valuation and report it to management. Key inputs involved in internal valuation services are not based on observable market data. They reflect assumptions made by management based on judgements and experiences.

For assets and liabilities that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The following tables provide the fair value measurement hierarchy of the Group's financial assets and liabilities:

	31 December 2019			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Financial assets at fair value through profit or loss				
– Fund investments	718,505	—	—	718,505
– Equity investments	56,456	—	—	56,456
– Debt investments	1,539,220	2,642,604	—	4,181,824
– Wealth management products	—	1,263,751	—	1,263,751
Available-for-sale financial assets				
– Debt investments	2,849,160	4,714,587	—	7,563,747
– Equity investments	2,026,064	—	—	2,026,064
– Fund investments	1,273,083	—	—	1,273,083
– Wealth management products	—	1,312,328	—	1,312,328
– Unlisted equity investments	—	—	25,450	25,450
	8,462,488	9,933,270	25,450	18,421,208
Assets for which fair values are disclosed				
Investments classified as loans and receivables	—	—	1,276,676	1,276,676

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5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(e) Fair value measurement (continued)

Determination of fair value and fair value hierarchy *(continued)*

	31 December 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets measured at fair value				
Financial assets at fair value through profit or loss				
– Fund investments	748,691	—	—	748,691
– Equity investments	479,074	—	—	479,074
– Debt investments	2,410,420	4,064,434	—	6,474,854
– Wealth management products	—	1,585,465	—	1,585,465
Available-for-sale financial assets				
– Debt investments	1,627,363	3,770,597	—	5,397,960
– Equity investments	288,646	—	—	288,646
– Fund investments	715,236	—	—	715,236
– Wealth management products	—	145,792	—	145,792
– Unlisted equity investments	—	—	25,180	25,180
	6,269,430	9,566,288	25,180	15,860,898
Assets for which fair values are disclosed				
Investments classified as loans and receivables	—	—	597,069	597,069

Reconciliation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy:

	31 December 2019			
	Beginning of year	**Increase**	**Net unrealized gain recognized in other comprehensive income**	**End of year**
Available-for-sale financial assets				
– Unlisted equity investments	25,180	270	—	25,450

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(e) Fair value measurement (continued)

Valuation techniques

The fair value of the unquoted debt investments is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities, with appropriate adjustment where applicable.

The fair value of the unquoted equity investments has been determined using valuation techniques such as comparable company valuation multiples, recent transaction prices of the same or similar instruments, with appropriate adjustments have been made where applicable, for example, for lack of liquidity using option pricing models. The valuation requires management to make certain assumptions about unobservable inputs to the model, which mainly include historical volatility and estimated time period prior to the listing of the unquoted equity instruments, etc. The fair value of the unquoted equity investments is not significantly sensitive to a reasonable change in these unobservable inputs.

6. SUBSIDIARIES

(a) The Company's subsidiaries as at 31 December 2019 are as follows:

Name	Place of operations	Place of incorporation/ registration	Nature of business	Registered capital (thousand)	Percentage of equity	Acquisition Mode
ZhongAn Information Technology Services Limited Company ("ZhongAn Technology") (a)	Shanghai The PRC	Shenzhen, The PRC	Technology Development/ Technology Consulting	RMB3,000,000	100.00%	Set-up
ZhongAn Online Insurance Broker Limited Company ("ZhongAn Insurance Broker")	Guangzhou, The PRC	Guangzhou, The PRC	Insurance Broker	RMB100,000	100.00%	Set-up
Hangzhou Qihui Internet Technology Limited Company ("Hangzhou Qihui")	Hangzhou, The PRC	Hangzhou, The PRC	Technology Development/ Technology Consulting	RMB3,000	100.00%	Equity Purchase
ZhongAn (ShenZhen) Life Sciences Co., Ltd ("ZhongAn Life Sciences") (b)	Shenzhen, The PRC	Shenzhen, The PRC	Bio Technology	RMB100,000	70.00%	Set-up
Shanghai Lianmo Information Technology Co., Ltd. ("Shanghai Lianmo") (c)	Shanghai, The PRC	Shanghai, The PRC	Technology Development/ Technology Consulting	RMB7,010	100.00%	Equity Purchase
ZhongAn Technologies International Group Limited ("ZhongAn International") (d)	Hong Kong, The PRC	Hong Kong, The PRC	Technology Development/ Technology Consulting	RMB2,070,784	51.00%	Set-up
ZhongAn (HaiNan) Medical Technology Co., Ltd ("ZhongAn Medical Technology") (e)	Hainan, The PRC	Hainan, The PRC	Online Medical Service	RMB5,000	70.00%	Set-up
Hebei Xiongan ZhongAn Financial Service Information Technology Limited Company ("Hebei Xiongan Information") (f)	Hebei, The PRC	Hebei, The PRC	Technology Development/ Technology Consulting	RMB3,000	100.00%	Set-up

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6. SUBSIDIARIES (continued)

(a) The Company's subsidiaries as at 31 December 2019 are as follows: (continued)

Name	Place of operations	Place of incorporation/ registration	Nature of business	Registered capital (thousand)	Percentage of equity	Acquisition Mode
ZA Technology Services Ltd. ("ZA Technology") (g)	British Virgin Islands	British Virgin Islands	Technology Development/ Technology Consulting	USD 0.001	100.00%	Set-up
Ningbo Haoyin Biotechnology Co., Ltd. ("Ningbo Haoyin")	Ningbo, The PRC	Ningbo, The PRC	Bio Technology	RMB66,700	54.87%	Set-up
ZhongAn (Hainan) Telemedicine Centre Ltd. ("ZA Telemedicine Centre") (h)	Hainan, The PRC	Hainan, The PRC	Telemedicine	RMB1,000	100.00%	Set-up
ZhongAn (Hainan) Internet Hospital Ltd. ("ZA Internet Hospital") (i)	Hainan, The PRC	Hainan, The PRC	Internet Hospital	RMB1,000	100.00%	Set-up
ZA Tech Global Limited ("ZA Tech Global") (j)	Hong Kong, The PRC	Hong Kong, The PRC	Technology Development/ Technology Consulting	HKD 156,797	49.00%	Set-up
ZhongAn Financial Services Limited ("ZA Financial") (k)	Hong Kong, The PRC	Hong Kong, The PRC	Investment holding	HKD 1,500,000	100.00%	Set-up
ZA Life Limited ("ZA Life") (l)	Hong Kong, The PRC	Hong Kong, The PRC	Life Insurance (subject to regulatory approval)	HKD 1	65.00%	Set-up
ZA Care Limited ("ZA Care") (m)	Hong Kong, The PRC	Hong Kong, The PRC	Technology	—	100.00%	Set-up
ZhongAn Digital Asset Group Ltd. ("ZA Digital Asset") (n)	British Virgin Islands	British Virgin Islands	Digital Asset	USD 50	100.00%	Set-up
ZhongAn International Investment Management Company ("ZA International Investment") (o)	Hong Kong, The PRC	Hong Kong, The PRC	Asset Management	HKD 0.1	100.00%	Set-up
ZhongAn International Financial Services Limited ("ZA International Financial") (p)	Hong Kong, The PRC	Hong Kong, The PRC	Financial	HKD 0.1	100.00%	Set-up
ZA Tech Global (Cayman) Limited ("ZA Tech Global Cayman")	Cayman Islands	Cayman Islands	Technology Development/ Technology Consulting	USD 50	100.00%	Set-up
ZA Tech Japan Inc ("ZA Japan")	Tokyo, Japan	Tokyo, Japan	Technology Development/ Technology Consulting	JPY 20,000	100.00%	Set-up
ZA Tech Global (Singapore) PTE. LTD. ("ZA Tech Singapore") (q)	Singapore	Singapore	Technology Development/ Technology Consulting	HKD 1,000	100.00%	Set-up
ZA Bank Limited (formerly known as ZhongAn Virtual Finance Limited) ("ZA Bank") (r)	Hong Kong, The PRC	Hong Kong, The PRC	Virtual Bank	HKD 1,500,000	100.00%	Set-up

* All of the subsidiaries of the Company established in the PRC were limited liability company.

6. SUBSIDIARIES (continued)

(a) The Company's subsidiaries as at 31 December 2019 are as follows: (continued)

(a) On 22 January 2019, 8 April 2019, 17 June 2019, 19 August 2019, 9 October 2019 and 10 October 2019, the Company respectively injected RMB100,000 thousand, RMB100,000 thousand, RMB300,000 thousand, RMB230,000 thousand, RMB100,000 thousand and RMB600,000 thousand separately into ZhongAn Technology, paid-in capital of ZhongAn Technology increase to RMB2,330,000 thousand. The registered capital of ZhongAn Technology is RMB3,000,000 thousand. The Company holds 100% voting rights of ZhongAn Technology.

(b) On 1 April 2019, Shanghai Shulu Enterprise Management Center LLP. subscribed 30% equity of ZhongAn Life Sciences by RMB30,000 thousand pursuant to the equity transfer agreement with ZhongAn Life Sciences. After this transaction, ZhongAn Technology holds 70% of the voting rights of ZhongAn Life Sciences.

(c) On 1 March 2019, ZhongAn Technology injected RMB2,010 thousand into Shanghai Lianmo, increasing its registered capital to RMB7,010 thousand. ZhongAn Technology holds 100% of the voting rights of Shanghai Lianmo.

(d) On 18 July 2019, ZhongAn Technology and Sinolink Worldwide Holdings Limited, together with ZhongAn International, signed a tripartite capital increase agreement to inject respectively RMB1,000,000 thousand and RMB960,784 thousand into ZhongAn International, in accordance with their 51% and 49% shareholding of ZhongAn International. As of 31 December 2019, ZhongAn Technology and Sinolink Worldwide Holdings Limited injected RMB400,000 thousand and RMB384,314 thousand to ZhongAn International, respectively. After this transaction, the paid-in capital of ZhongAn International increased to RMB894,314 thousand, and registered capital increased to RMB2,070,784 thousand. ZhongAn Technology holds 51% of voting rights of ZhongAn International.

(e) On 12 March 2019, ZhongAn Technology together with Shenzhen Guanghuayuanjing Investment Limited Company set up ZhongAn Medical Technology, with registered capital of RMB5,000 thousand. ZhongAn Technology holds 70% of the voting rights of ZhongAn Medical Technology.

(f) On 13 May 2019, ZhongAn Technology injected registered capital of RMB3,000 thousand into Hebei Xiongan Information. ZhongAn Technology holds 100% of the voting rights of Hebei Xiongan Information.

(g) On 27 February 2019, ZhongAn Technology set up ZA Technology, with registered capital of USD1. ZhongAn Technology holds 100% of the voting rights of ZA Technology.

(h) On 14 August 2019, ZhongAn Medical Technology set up ZA Telemedicine Centre, with registered capital of RMB1,000 thousand. ZhongAn Medical Technology holds 100% of voting rights of ZA Telemedicine Centre. ZhongAn Technology holds 100% of voting rights of ZA Telemedicine Centre through ZhongAn Medical Technology.

(i) On 30 August 2019, ZhongAn Medical Technology set up ZA Internet Hospital, with registered capital of RMB1,000 thousand. ZhongAn Medical Technology holds 100% of voting rights of ZA Internet Hospital. ZhongAn Technology holds 100% of voting rights of ZA Internet Hospital through ZhongAn Medical Technology.

(j) On 29 March 2019 and 12 December 2019, ZhongAn International together with SVF Zen JVCO (Singapore) Pte. Ltd. injected USD19,999 thousand in total into ZA Tech Global, amongst which ZhongAn International injected USD9,799 thousand and SVF Zen JVCO (Singapore) Pte. Ltd. injected USD10,200 thousand. After this transaction, ZhongAn International holds 49% of the ownership interest of ZA Tech Global and has the right to appoint a majority of the board of directors and management. ZhongAn Technology has control over ZA Tech Global through ZhongAn International.

(k) On 4 February 2019, ZhongAn International bought back 35% of the equity of ZA Financial from the counter party. As a result, ZhongAn International holds 100% of the voting rights of ZA Financial. On 3 October 2019, ZhongAn International injected HKD500,000 thousand into ZA Financial. After this transaction, the registered capital of ZA Financial increased to HKD1,500,000 thousand and ZhongAn International holds 100% of voting rights of ZA Financial.

(l) On 27 February 2019, ZhongAn International together with a third party set up ZA Life, with registered capital of HKD1 thousand. ZhongAn International holds 65% of the voting rights of ZA Life, and ZhongAn Technology holds 65% of voting rights of ZA Life through ZhongAn International. The nature of business of ZA Life is subject to regulatory approval.

(m) On 23 May 2019, ZhongAn International set up ZA Care, which is a Non-Governmental Organization. ZhongAn International holds 100% of the voting rights of ZA Care and ZhongAn Technology holds 100% of the voting rights of ZA Care through ZhongAn International.

(n) On 2 September 2019, ZhongAn International set up ZA Digital Asset, with registered capital of USD50 thousand. ZhongAn International holds 100% of voting rights of ZA Digital Asset. ZhongAn Technology holds 100% of voting rights of ZA Digital Asset through ZhongAn International.

(o) On 22 October 2019, ZhongAn International set up ZA International Investment, with registered capital of HKD0.1 thousand. ZhongAn International holds 100% of voting rights of ZA International Investment. ZhongAn Technology holds 100% of voting rights of ZA International Investment through ZhongAn International.

(p) On 4 December 2019, ZhongAn International set up ZA International Financial, with registered capital of HKD0.1 thousand. ZhongAn International holds 100% of voting rights of ZA International Financial. ZhongAn Technology holds 100% of voting rights of ZA International Financial through ZhongAn International.

(q) On 16 April 2019, ZA Tech Global set up ZA Tech Singapore, with registered capital of HKD1,000 thousand. ZA Tech Global holds 100% of the voting rights of ZA Tech Singapore. ZhongAn Technology has control over ZA Tech Singapore through ZA Tech Global.

(r) On 3 October 2019, ZA Financial injected HKD500,000 thousand into ZA Bank. After this transaction, the registered capital of ZA Bank increased to HKD1,500,000 thousand and ZhongAn International holds 100% of voting rights of ZA Bank through ZA Financial.

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6. SUBSIDIARIES (continued)

(b) Non-controlling interests

Set out below is summarised financial information for major subsidiaries that has non-controlling interests (NCI). The amounts disclosed for major subsidiaries are before inter-company eliminations.

	Percentage of equity attribute to the NCI	Total comprehensive loss attributable to NCI	Non-controlling interests
ZhongAn International	49%	(159,782)	1,572,985
ZhongAn Life Sciences	30%	(9,706)	19,717
ZhongAn Medical Technology	30%	(326)	1,174

	31 December 2019		31 December 2018	
	Assets	Liabilities	Assets	Liabilities
ZhongAn International	2,225,539	381,884	1,022,497	101,422
ZhongAn Life Sciences	91,232	37,108	71,374	18,536
ZhongAn Medical Technology	3,985	72	—	—

	Year ended 31 December 2019			Year ended31 December 2018		
	Revenue	Net loss for the year	Total comprehensive loss	Revenue	Net loss for the year	Total comprehensive loss
ZhongAn International	113,821	(310,011)	(279,335)	12,012	(112,624)	(108,513)
ZhongAn Life Sciences	19,813	(27,315)	(27,315)	5,779	(13,285)	(13,285)
ZhongAn Medical Technology	—	(1,087)	(1,087)	—	—	—

6. SUBSIDIARIES (continued)

(b) Non-controlling interests (continued)

Changes in non-controlling interests:

	ZhongAn Microloan	ZhongAn International	ZhongAn Life Sciences	ZhongAn Medical Technology	Total
31 December 2018	91,334	921,877	29,423	—	1,042,634
Issue of preference shares (i)	—	814,105	—	—	814,105
Repurchase of shares (ii)	—	(313,239)	—	—	(313,239)
Contributions from non-controlling interests (iii)	—	454,437	—	1,500	455,937
Deconsolidation of subsidiaries (iv)	(91,629)	—	—	—	(91,629)
Redemption of preferred shares (v)	—	(144,413)	—	—	(144,413)
Total comprehensive income/(loss)	295	(159,782)	(9,706)	(326)	(169,519)
31 December 2019	—	1,572,985	19,717	1,174	1,593,876

i. On 4 February 2019, Warrior Treasure Limited injected RMB342,048 thousand into ZhongAn International, in consideration for redeemable preference shares. On 26 July 2019, Sinolink Worldwide Holdings Limited and Warrior Treasure Limited paid ZhongAn International HK$106,276,058 and HK$430,000,000 in cash, equivalent to RMB472,057 thousand in total, to subscribe additional 93,549 thousand and 378,508 thousand redeemable preference shares of RMB1 each respectively.

ii. On 4 February 2019, ZhongAn International bought back 35% of the equity of ZA Financial from the counter party. As a result, ZhongAn International holds 100% of the equity of ZA Financial, and the non-controlling interests of ZhongAn International decreased by RMB313,239 thousand.

iii. On 22 October 2019, Sinolink Worldwide Holdings Limited injected RMB384,314 thousand into ZhongAn International. After this transaction, Sinolink Worldwide Holdings Limited holds 49% of voting rights of ZhongAn International as a minority interest. On 29 March 2019 and 12 December 2019, SVF Zen JVCO (Singapore) Pte. Ltd. injected USD5,100 thousand and USD5,100 thousand respectively into ZA Tech Global, equivalent to RMB70,123 thousand in total. After this transaction, SVF Zen JVCO (Singapore) Pte. Ltd. holds 51% of voting rights of ZA Tech Global as a minority interest because ZhongAn International has the right to appoint a majority of the board of directors and management.

iv. On 31 May 2019, China Telecom BestPay Co., Ltd. injected RMB210,000 thousand into ZhongAn Microloan. As a result, ZhongAn Technology decreased its percentage of equity of ZhongAn Microloan from 70% to 41.18% and the non-controlling interests of ZhongAn Microloan decreased by RMB91,629 thousand.

v. On 31 October 2019, ZhongAn International redeemed 140,000 thousand redeemable preference shares from Sinolink Worldwide Holdings Limited and the non-controlling interests of ZhongAn International decreased by RMB144,413 thousand.

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6. SUBSIDIARIES (continued)

(c) At 31 December 2019, consolidated structured entities are as followings:

Name	Holding by the Company (%)	Total Subscription (RMB'000)	Principal activities
ZhongAn TaiKang Asset Management Plan	100%	4,794,927	Asset Management Product
ZhongAn LeXiang No.1 Asset Management Plan	100%	3,961,633	Asset Management Product
ICBC Credit Suisse Asset Management ZhongAn Insurance No.1 Asset Management Plan	100%	800,000	Asset Management Product
ZhongAn TaiPing Asset Management Plan	100%	76,421	Asset Management Product
E Fund ZhongAn Insurance No.1 Asset Management Plan	100%	4,291	Asset Management Product

7. NET PREMIUMS EARNED

	Year ended 31 December 2019	Year ended 31 December 2018
Gross written premiums (a)	14,629,589	11,255,718
– Property and casualty insurance written premiums	8,197,079	6,690,556
– Short-term life insurance written premiums	6,432,510	4,565,162
Less: Premiums ceded to reinsurers (b)	(234,148)	(462,622)
Net written premiums	14,395,441	10,793,096
Less: Net change in unearned premium reserves	(1,593,990)	(1,992,793)
Net premiums earned	12,801,451	8,800,303

7. NET PREMIUMS EARNED (continued)

(a) Gross written premiums

This represents gross premium income from direct insurance business, and the breakdown by line of product is as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
Health insurance	4,634,895	2,365,378
Bond insurance	2,938,766	2,267,705
Accident insurance	1,797,615	2,199,784
Motor insurance	1,263,723	1,146,030
Credit insurance	440,297	1,492,190
Cargo insurance	203,444	148,623
Liability insurance	137,129	467,179
Household property insurance	49,963	33,480
Others	3,163,757	1,135,349
	14,629,589	11,255,718

Others primarily consist of shipping return insurance, which generated gross written premiums of RMB3,072,572 thousand and RMB1,057,889 thousand for the years ended 31 December 2019 and 2018, respectively.

(b) Premiums ceded to reinsurers

	Year ended 31 December 2019	Year ended 31 December 2018
Health insurance	206,255	222,590
Accident insurance	26,606	233,736
Others	1,287	6,296
	234,148	462,622

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8. NET INVESTMENT INCOME

	Year ended 31 December 2019	Year ended 31 December 2018
Interest income		
– Debt investments	486,044	517,414
– Trust investment scheme	63,045	95,842
– Bank deposit	61,970	63,008
– Securities purchased under agreements to resell	8,070	24,450
Dividend income		
– Wealth management products	221,778	13,515
– Fund investments	193,553	89,161
– Equity investments	28,442	39,703
Realized gains/(losses), net	712,884	(68,608)
	1,775,786	774,485

9. NET FAIR VALUE CHANGES THROUGH PROFIT OR LOSS

	Year ended 31 December 2019	Year ended 31 December 2018
Financial assets designated at fair value through profit or loss		
– Equity investments	90,295	(233,441)
– Fund investments	38,331	(22,468)
– Wealth management products	32,703	19,639
– Debt investments	8,567	82,321
	169,896	(153,949)

10. OTHER INCOME

	Year ended 31 December 2019	Year ended 31 December 2018
Revenue from services (a)	278,479	108,692
Government grants (b)	69,878	54,031
Sale of goods (c)	21,264	1,189
Interest income from loans and advances to customers (d)	5,997	19,877
Others	1,213	5,686
	376,831	189,475

(a) Revenue from services include information technology services and other services provided by the Group.

(b) Government grants include rental subsidies, development support funds and government subsidies related to intangible assets, and etc.

(c) The income of sale of goods is mainly derived from an online platform operated by Hangzhou Qihui, Shanghai Lianmo and ZhongAn Life Science, the subsidiaries of the Company.

(d) Interest income from loans and advances to customers is derived from small loan business operated by ZhongAn Microloan. The Company lost control of ZhongAn Microloan on 31 May 2019.

11. NET CLAIMS INCURRED

	Year ended 31 December 2019	Year ended 31 December 2018
Insurance claims paid (a)	8,291,538	4,650,741
– Property and casualty insurance claims paid	6,691,839	3,640,997
– Short-term life insurance claims paid	1,599,699	1,009,744
Less: Claims paid ceded to reinsurers (b)	(256,472)	(175,759)
Net claims paid	8,035,066	4,474,982
Add: Net change in insurance contract liabilities	589,623	793,454
	8,624,689	5,268,436

(a) Insurance claims paid

	Year ended 31 December 2019	Year ended 31 December 2018
Bond insurance	1,961,157	1,011,941
Credit insurance	1,092,630	983,973
Health insurance	1,054,767	619,589
Motor insurance	565,433	232,994
Accident insurance	544,932	390,155
Liability insurance	474,598	370,499
Cargo insurance	193,996	136,040
Household property insurance	8,494	52,982
Others	2,395,531	852,568
	8,291,538	4,650,741

Others primarily consist of shipping return insurance, the insurance claims paid of which were RMB2,299,248 thousand and RMB790,939 thousand for the years ended 31 December 2019 and 2018, respectively.

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11. NET CLAIMS INCURRED (continued)

(b) Claims paid ceded to reinsurers

	Year ended 31 December 2019	Year ended 31 December 2018
Accident insurance	132,149	69,325
Health insurance	119,481	106,108
Others	4,842	326
	256,472	175,759

12. HANDLING CHARGES AND COMMISSIONS

	Year ended 31 December 2019	Year ended 31 December 2018
Handling charges and commissions before reinsurance arrangement	911,058	1,237,029
Less: Reinsurance expense recovered	(1,149)	(162,273)
Handling charges and commissions	909,909	1,074,756

13. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December 2019	Year ended 31 December 2018
Consulting and technical fee(a)	2,751,841	2,741,296
Employee benefit expense	950,048	839,995
Advertising and marketing expense	608,574	210,079
Impairment loss	192,630	136,701
Amortisation of right-of-use assets	99,248	—
Amortisation of intangible assets	86,886	64,567
Taxes and surcharges	60,684	46,713
Depreciation of property and equipment	42,257	27,020
Auditors' remuneration	12,637	8,921
Rental fees	11,187	117,290
Other	600,867	434,377
	5,416,859	4,626,959

(a) The Group enters into consulting and technical service fee arrangements with different counterparties, with the related technical service fee being determined based on the customer volume introduced and services provided by the counterparties. As the main operating costs, the Group periodically settles consulting and technical service fee based on the provisions of the contracts.

14. OTHER EXPENSES

	Year ended 31 December 2019	Year ended 31 December 2018
Expense of providing services	426,878	319,042
Cost of providing services	184,045	83,962
Other	19,342	10,036
	630,265	413,040

15. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' AND SUPERVISORS' REMUNERATION)

	Year ended 31 December 2019	Year ended 31 December 2018
Salaries, allowances and other short-term benefits	800,403	703,410
Contributions to defined contribution plans (a)	149,645	135,805
Share-based payments	—	780
	950,048	839,995

(a) Contributions to defined contribution plans mainly include contributions made to the state pension schemes.

16. DIRECTORS' AND SUPERVISORS' REMUNERATION

	Year ended 31 December 2019	Year ended 31 December 2018
Wages, salaries and bonuses	5,507	5,208
Share-based payments	—	174
Pension costs - defined contribution plans	88	102
Other social security costs, housing benefits and other employee benefits	87	104
	5,682	5,588

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16. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(a) Independent non-executive directors

	Year ended 31 December 2019				
	Wages, salaries and bonuses	Pension costs - defined contribution plans	Other social security costs, housing benefits and other employee benefits	Share-based payments	Total
CHEN Hui (陳慧)	125	—	—	—	125
ZHANG Shuang (張爽)	125	—	—	—	125
DU Li (杜力)[1]	125	—	—	—	125
LI YIFAN	125	—	—	—	125
WU Ying (吳鷹)	125	—	—	—	125
OU Wei (歐偉)[2]	10	—	—	—	10
	635	—	—	—	635

1. Resigned from Independent non-executive director in Dec 2019

2. Appointed as independent non-executive director in Dec 2019

	Year ended 31 December 2018				
	Wages, salaries and bonuses	Pension costs - defined contribution plans	Other social security costs, housing benefits and other employee benefits	Share-based payments	Total
CHEN Hui (陳慧)	125	—	—	—	125
ZHANG Shuang (張爽)	125	—	—	—	125
DU Li (杜力)	125	—	—	—	125
LI YIFAN	125	—	—	—	125
WU Ying (吳鷹)	125	—	—	—	125
	625	—	—	—	625

16. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(b) Executive directors and non-executive directors

	Year ended 31 December 2019				
	Wages, salaries and bonuses	Pension costs - defined contribution plans	Other social security costs, housing benefits and other employee benefits	Share-based payments	Total
Executive directors					
OU Yaping (歐亞平)	—	—	—	—	—
CHEN Jin (陳勁)	1,534	38	37	—	1,609
Ou Jinyi (歐晉羿)	1,469	—	—	—	1,469
Non-executive directors:					
HAN Xinyi (韓歆毅)	—	—	—	—	—
LAI Chi Ming, Jimmy (賴智明)	—	—	—	—	—
WANG Guoping (王國平)[1]	58	—	—	—	58
SHI Liangxun (史良洵)[2]	10	—	—	—	10
HU Xiaoming (胡曉明)	—	—	—	—	—
ZHENG Fang (鄭方)[1]	58	—	—	—	58
YIN Ming (尹銘)[2]	—	—	—	—	—
	3,129	38	37	—	3,204

1. Resigned from non-executive directors in Nov 2019

2. Appointed as non-executive directors in Nov 2019

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16. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(b) Executive directors and non-executive directors (continued)

	Year ended 31 December 2018				
	Wages, salaries and bonuses	**Pension costs - defined contribution plans**	**Other social security costs, housing benefits and other employee benefits**	**Share-based payments**	**Total**
Executive directors					
OU Yaping (歐亞平)	—	—	—	—	—
CHEN Jin (陳勁)	1,750	51	44	174	2,019
Ou Jinyi (歐晉羿)	1,231	—	—	—	1,231
Non-executive directors:					
HAN Xinyi (韓歆毅)	—	—	—	—	—
LAI Chi Ming, Jimmy (賴智明)	—	—	—	—	—
WANG Guoping (王國平)	63	—	—	—	63
HU Xiaoming (胡曉明)	—	—	—	—	—
ZHENG Fang (鄭方)	63	—	—	—	63
	3,107	51	44	174	3,376

16. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(c) Supervisors

	Year ended 31 December 2019				
	Wages, salaries and bonuses	Pension costs - defined contribution plans	Other social security costs, housing benefits and other employee benefits	Share-based payments	Total
GAN Baoyan (干寶雁)	25	—	—	—	25
WEN Yuping (溫玉萍)	25	—	—	—	25
Liu Haijiao (劉海姣)	1,693	50	50	—	1,793
	1,743	50	50	—	1,843

	Year ended 31 December 2018				
	Wages, salaries and bonuses	Pension costs - defined contribution plans	Other social security costs, housing benefits and other employee benefits	Share-based payments	Total
GAN Baoyan (干寶雁)	25	—	—	—	25
WEN Yuping (溫玉萍)	25	—	—	—	25
Xiang Lei[1] (向雷)	513	16	30	—	559
Liu Haijiao[2] (劉海姣)	913	35	30	—	978
	1,476	51	60	—	1,587

1. Resigned from supervisor in May 2018

2. Appointed as supervisor in May 2018

There was no payment of their other services in connection with the management of the affairs of the Company or its subsidiaries undertaking for the years ended 31 December 2019 and 2018, respectively.

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17. FIVE HIGHEST PAID INDIVIDUALS

The number of highest paid non-director individuals whose remuneration fell within the following bands is set out below:

	Year ended 31 December 2019	Year ended 31 December 2018
Nil to RMB1,000,000	—	—
RMB1,000,001 to RMB2,000,000	4	5
RMB2,000,001 to RMB3,000,000	1	—
RMB3,000,001 to RMB4,000,000	—	—
RMB5,000,001 to RMB6,000,000	—	—
Total	5	5

Details of the remuneration of the highest paid non-director individuals are as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
Wages, salaries and bonuses	9,743	8,562
Pension costs — defined contribution plans	222	192
Other social security costs, housing benefits and other employee benefits	265	194
	10,230	8,948

18. INCOME TAX

(a) Income tax

	Year ended 31 December 2019	Year ended 31 December 2018
Current income tax	3,441	1,912
Deferred income tax (note 36)	24,366	(15,355)
	27,807	(13,443)

(b) Reconciliation of income tax

A reconciliation of income tax applicable to loss before income tax using the applicable income tax rate to the income tax at the Group's effective tax rate is as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
Loss before income tax	(610,838)	(1,810,161)
Tax computed at the applicable tax rate	(87,938)	(407,705)
Income not subject to tax	(47,965)	(12,352)
Expenses not deductible for tax	1,898	8,983
Extra tax deductions for research and development costs	(33,262)	—
Deductable temporary differences for which no deferred income tax asset was recognised	244,904	397,265
Adjustments to income tax in respect of previous periods	(50,121)	(3,720)
Others	291	4,086
Income tax at the Group's effective rate	27,807	(13,443)

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19. LOSS PER SHARE

Basic loss per share is calculated by dividing net loss for the year by the weighted average number of shares in issue during the year. Diluted loss per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares.

The calculation of loss per share is based on the following:

	Year ended 31 December 2019	Year ended 31 December 2018
Net loss for the year attributable to owners of the parent	(454,101)	(1,743,895)
Weighted average number of shares in issue (in thousand)	1,469,813	1,469,813
Basic loss per share (RMB yuan)	(0.31)	(1.19)
Diluted loss per share (RMB yuan)	(0.31)	(1.19)

The Company had no dilutive potential shares at 31 December 2019 and 2018, respectively.

20. OTHER COMPREHENSIVE INCOME/(LOSS)

	Year ended 31 December 2019	Year ended 31 December 2018
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
– Reclassification adjustments for amounts transferred to profit or loss	6,584	17,960
– Changes in the fair value of available-for-sale financial assets, before tax	(103,804)	(35,749)
– Impairment charges reclassified to profit or loss	—	79,136
	(97,220)	61,347
Income tax relating to available-for-sale financial assets	24,305	(15,336)
Exchange differences on translation of foreign operations	30,631	6,939
Other comprehensive income/(loss)	(42,284)	52,950

21. CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018
Cash in hand	102	—
Deposits with original maturity of no more than three months	1,512,322	2,360,898
Placements with banks	667,627	—
Due from banks	465,770	—
Other monetary assets (a)	268,999	65,931
	2,914,820	2,426,829

(a) Other monetary assets refer to funds deposited by the Group for daily business operations and investment activities.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2019	31 December 2018
Listed		
– Debt investments	1,539,220	2,410,420
– Equity investments	56,456	479,074
– Fund investments	—	73,823
Unlisted		
– Debt investments	2,642,604	4,064,434
– Wealth management products	1,263,751	1,585,465
– Fund investments	718,505	674,868
	6,220,536	9,288,084

23. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

	31 December 2019	31 December 2018
Securities - bonds		
– Inter-bank market	160,000	660,987
– Stock exchange	—	377,900
	160,000	1,038,887

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24. INTEREST RECEIVABLES

	31 December 2019	31 December 2018
Debt investments	283,283	316,818
Bank deposits	26,855	32,840
Loans	2,112	33,398
Securities purchased under agreements to resell	8	1,019
Less: Impairment provisions	(6,180)	(6,180)
	306,078	377,895

25. PREMIUM RECEIVABLES

	31 December 2019	31 December 2018
Premium receivables	3,712,817	2,048,419
Less: Provision for impairment of premium receivables	(180,657)	(11,133)
	3,532,160	2,037,286

Aging analysis of the premium receivables is as follows:

	31 December 2019	31 December 2018
Within 3 months (including 3 months)	3,444,507	1,933,879
Over 3 months and within 1 year (including 1 year)	87,653	93,044
Over 1 year	—	10,363
	3,532,160	2,037,286

26. REINSURANCE RECEIVABLES

	31 December 2019	31 December 2018
Reinsurance receivables	238,028	287,379
Less: Provision for impairment of reinsurance receivables	—	—
	238,028	287,379

Aging analysis of reinsurance receivables is as follows:

	31 December 2019	31 December 2018
Within 1 year (including 1 year)	222,453	277,735
Over 1 year	15,575	9,644
	238,028	287,379

27. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are stated at fair value and comprise the following:

	31 December 2019	31 December 2018
Listed		
– Debt investments	2,849,160	1,627,363
– Equity investments	2,026,064	288,646
– Fund investments	43,019	80,602
Unlisted		
– Debt investments	4,791,274	3,849,733
– Wealth management products	1,312,328	145,792
– Fund investments	1,230,064	634,634
– Equity investments	25,450	25,180
Less: Impairment provisions	(76,687)	(79,136)
	12,200,672	6,572,814

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28. LOANS AND ADVANCES TO CUSTOMERS

(a) Analyzed by corporate and individual

	31 December 2019	31 December 2018
Individual customers	—	81,797
Corporate customers	50,900	4,600
Less: Loan loss provisions (b)	—	(15,102)
	50,900	71,295

All the loans and advances to customers are unsecured.

(b) Loan loss provisions

1 January 2019	15,102
Provision for the year	2,639
Reversal during the year	(1,012)
Transfer due to subsidiary disposal	(16,729)
31 December 2019	—

29. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	31 December 2019	31 December 2018
Trust investment schemes	1,276,676	597,069

At 31 December 2019 and 2018, the underlying loan assets of the trust investment schemes were neither pass due nor impaired. After considering the creditability of each of the counterparties and the collateral or guarantee obtained, no impairment was provided for such loan assets. The Group's maximum exposure to loss in the trust investment schemes is limited to their carrying amounts, see Note 5(b).

30. TERM DEPOSITS

Maturity Period	31 December 2019	31 December 2018
3 months to 1 year (including 1 year)	—	300,000
3 to 4 years (including 4 years)	300,000	—
4 to 5 years (including 5 years)	—	660,000
	300,000	960,000

31. RESTRICTED STATUTORY DEPOSITS

	31 December 2019	31 December 2018
At the beginning of the year	293,963	248,125
Increase	48,500	45,838
Decrease	(48,125)	—
At the end of the year	294,338	293,963

	31 December 2019		
	Amount	Storage	Period
China Citic Bank	145,838	Term deposit	3 years
China Everbright Bank	148,500	Term deposit	3 years
Total	294,338		

	31 December 2018		
	Amount	Storage	Period
China Citic Bank	145,838	Term deposit	3 years
China Everbright Bank	100,000	Term deposit	3 years
China Everbright Bank	48,125	Term deposit	1 years
Total	293,963		

In accordance with relevant provision of Insurance Law of the PRC, the Company should place 20% of its share capital as restricted statutory deposits.

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32. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	1 January 2019	Additions	Transfer in/ (out) due to subsidiary disposal	Share of profit/(loss)	31 December 2019
Shanghai Dexu Investment Center (Limited Partnership) ("Shanghai Dexu")	316,753	—	—	1,621	318,374
ZA-CP Network Technology (Shanghai) Co., Ltd. ("ZA-CP")	9,689	—	—	(4,993)	4,696
Youwozai (Beijing) Network Technology Limited Company ("Youwozai (Beijing)")	7,111	—	—	(3,911)	3,200
Shenzhen Small and Medium P&C-Union Investment Co., Ltd. ("Shenzhen Small and Medium")	5,812	—	—	(535)	5,277
Shanghai Nuanwa Technology Co., Ltd ("Shanghai Nuanwa") (a)	3,227	35,121	—	(2,464)	35,884
Shanghai Xiaojia Financial Technology Service Co., Ltd. ("Shanghai Xiaojia") (b)	2,244	2,400	(2,244)	(104)	2,296
Chongqing ZhongAn Microloan Limited Company ("ZhongAn Microloan") (c)	—	—	209,911	(1,037)	208,874
A3 Holdings Inc. ("A3 Holdings") (d)	—	28,108	—	25	28,133
Nova Technology Ltd. ("Nova Technology") (e)	—	30,035	—	(24,403)	5,632
Shanghai Dingzuan Ltd ("Dingzuan") (f)	—	1,103	—	(160)	943
	344,836	96,767	207,667	(35,961)	613,309

32. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (continued)

(a) On 30 April 2019, ZhongAn Technology together with Shanghai Longhao Enterprise Management Center LLP. signed an capital injection agreement, ZhongAn Technology injected a total number of cash and non-monetary assets, valued at RMB35,121 thousand. ZhongAn Technology retained 44% voting rights of Shanghai Nuanwa.

(b) On 1 January 2019, the investment of Shanghai Xiaojia was held by ZhongAn Microloan, a subsidiary the Group lost control of in May 2019. On 20 June 2019, ZhongAn Technology purchased the investment of Shanghai Xiaojia from ZhongAn Microloan at the price of RMB2,400 thousand. ZhongAn Technology acts as a shareholder with 1 designated director out of 5 in the board of directors.

(c) On 31 May 2019, China Telecom BestPay Co., Ltd. injected RMB210,000 thousand into ZhongAn Microloan. As a result, ZhongAn Technology decreased its voting rights of ZhongAn Microloan from 70% to 41.18%, and investment loss of RMB3,147 thousand was recognized due to this transaction.

(d) On 15 March 2019, ZA Tech Global Cayman injected HKD19,624 thousand into A3 Holdings and non-cash service valued at HKD11,745 thousand in the second half of 2019, equivalent to RMB28,108 thousand in total. As a result, ZA Tech Global Cayman obtained 40% of the voting rights of A3 Holdings, and ZhongAn Technology holds 40% of the voting rights of A3 Holdings through ZA Tech Global Cayman. ZA Tech Global Cayman acts as a shareholder with 2 out of 5 seats on the board of A3 Holdings.

(e) On 27 August 2019, ZA Technology together with Shanghai Longhao, SCC Venture VII Holdco, Ltd. and Liberty Island Holding Limited set up Nova Technology. ZA Technology injected RMB30,035 thousand into Nova Technology, and holds 40% of the voting rights of Nova Technology.

(f) On 29 September 2019, ZhongAn Technology purchased the investment of Dingzuan from Shenzhen Guanghuayuanjing Investment Limited Company at the price of RMB1,103 thousand. ZhongAn Technology holds 40% of the voting rights of Dingzuan.

Nature of investment in associates and joint ventures as at 31 December 2019

Name	Place of incorporation	Percentage of ownership interest	Percentage of voting power	Registered capital (thousand)	Paid-up capital (thousand)	Principal activity
Shenzhen Small and Medium	Shenzhen, The PRC	2.30%	2.30%	260,000	212,000	Investment consulting
Shanghai Dexu	Shanghai, The PRC	70.00%	20.00%	500,000	355,000	Investment management
Youwozai (Beijing)	Beijing, The PRC	36.93%	36.93%	2,166	2,166	Technology consulting
Shanghai Nuanwa	Shanghai, The PRC	44.00%	44.00%	11,000	11,000	Technology consulting
Shanghai Xiaojia	Shanghai, The PRC	8.00%	20.00%	30,000	30,000	Financial technology services
ZA-CP	Shanghai, The PRC	50.00%	50.00%	USD 3,000	USD 3,000	Technology consulting
ZhongAn Microloan	Chongqing, The PRC	41.18%	41.18%	510,000	510,000	Micro finance
A3 Holdings	Cayman Islands	40.00%	40.00%	USD 50	USD 50	Insure tech
Nova Technology	Cayman Islands	40.00%	40.00%	USD 50	USD 50	Investment Holding
Dingzuan	Shanghai, The PRC	49.00%	49.00%	2,000	2,000	Technology consulting

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33. Leases

(a) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	31 December 2019	1 January 2019
Right-of-use assets		
Buildings	360,257	467,832
Equipment	3,378	814
	363,635	468,646
Lease liabilities	398,366	490,399

Additions to the right-of-use assets during 2019 were RMB28,104 thousand.

(b) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	31 December 2019	31 December 2018
Depreciation charge of right-of-use assets		
Buildings	(131,279)	—
Equipment	(1,836)	—
	(133,115)	—
Interest expense	21,791	—
Expense relating to short-term leases	11,187	—

The total cash outflow to leases in 2019 was RMB119,916 thousand.

(c) The Group's leasing activities and how these are accounted for

The Group leases various offices and equipment. Rental contracts are typically made for fixed periods of 1 months to 6.5 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

34. PROPERTY AND EQUIPMENT

	Motor vehicles	Electrical equipment	Office furniture and equipment	Leasehold improvements	Total
Cost					
1 January 2018	3,330	36,665	6,447	74,624	121,066
Additions	813	15,724	2,470	40,716	59,723
Disposals	—	(76)	(22)	—	(98)
31 December 2018	4,143	52,313	8,895	115,340	180,691
Additions	332	9,401	1,088	17,537	28,358
Disposals	—	(1,947)	(167)	—	(2,114)
31 December 2019	**4,475**	**59,767**	**9,816**	**132,877**	**206,935**
Accumulated depreciation and impairment					
1 January 2018	(2,183)	(10,019)	(1,792)	(21,893)	(35,887)
Depreciation charge	(688)	(8,398)	(1,544)	(27,486)	(38,116)
Disposals	—	33	9	—	42
31 December 2018	(2,871)	(18,384)	(3,327)	(49,379)	(73,961)
Depreciation charge	(523)	(10,366)	(1,805)	(30,617)	(43,311)
Disposals	—	1,274	31	—	1,305
31 December 2019	**(3,394)**	**(27,476)**	**(5,101)**	**(79,996)**	**(115,967)**
Net book value					
31 December 2019	**1,081**	**32,291**	**4,715**	**52,881**	**90,968**
31 December 2018	1,272	33,929	5,568	65,961	106,730

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35. INTANGIBLE ASSETS

	Software	Patent	Other	Total
Cost				
1 January 2018	347,213	—	19	347,232
Additions	222,282	30,100	1,807	254,189
31 December 2018	569,495	30,100	1,826	601,421
Additions	235,209	—	—	235,209
31 December 2019	**804,704**	**30,100**	**1,826**	**836,630**
Accumulated amortisation and impairment				
1 January 2018	(93,566)	—	(7)	(93,573)
Amortization	(73,327)	(1,003)	(183)	(74,513)
Impairment	(24,074)	—	—	(24,074)
31 December 2018	(190,967)	(1,003)	(190)	(192,160)
Amortization	(116,408)	(3,010)	(183)	(119,601)
Impairment	(36,090)	—	—	(36,090)
31 December 2019	**(343,465)**	**(4,013)**	**(373)**	**(347,851)**
Net book value				
31 December 2019	**461,239**	**26,087**	**1,453**	**488,779**
31 December 2018	378,528	29,097	1,636	409,261

36. DEFERRED INCOME TAX ASSETS AND LIABILITIES

	31 December 2019	31 December 2018
Net deferred income tax assets/(liabilities), at the beginning of year	**19**	—
Recognized in profit or loss	**(24,366)**	15,355
Recognized in other comprehensive income	**24,305**	(15,336)
Net deferred income tax assets/(liabilities), at the end of year	**(42)**	19

36. DEFERRED INCOME TAX ASSETS AND LIABILITIES (continued)

The breakdown of deferred income tax assets and liabilities at the end of the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	31 December 2019	31 December 2018
Deferred income tax assets/(liabilities)		
Accumulated taxable losses	307,136	288,152
Insurance contract liabilities	99,484	83,565
Amortisation of intangible assets	26,971	15,086
Impairment loss provisions	60,728	13,608
Employee stock ownership plan	9,600	9,600
Unrealized gains of structured entities	(480,245)	(403,668)
Net fair value adjustment on available-for-sale financial assets	21,718	(2,587)
Net fair value adjustment on financial assets at fair value through profit or loss	(41,021)	695
Share of net profit of associates and joint ventures accounted for using the equity method	(4,413)	(4,432)
Net deferred income tax assets/(liabilities)	(42)	19
Represented by		
Deferred income tax assets	525,637	408,119
Deferred income tax liabilities	(525,679)	(408,100)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. At 31 December 2019, the Group did not recognise deferred income tax assets of RMB868,097 thousand in respect of losses amounting to RMB3,990,307 thousand that can be carried forward against future taxable income.

37. OTHER ASSETS

	31 December 2019	31 December 2018
Subrogation receivables	574,340	342,516
Advanced payment	442,125	337,012
Coinsurance expense to be reimbursed	279,631	375,294
Receivable from securities clearing	73,833	—
Deposits	49,429	82,371
Estimate of input tax	37,335	50,754
Assets recognised from costs to fulfil a contract	16,334	20,469
Others	108,091	73,120
Less: Provisions for other assets	(3,566)	—
Total	1,577,552	1,281,536

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38. SHARE CAPITAL

	31 December 2019	31 December 2018
Number of shares issued and fully paid at RMB1 yuan each	1,469,813	1,469,813

39. RESERVES

The amounts of the Group's reserves and the movements therein during the year are presented in the consolidated statement of changes in equity.

(a) Capital reserves

Capital reserves mainly represents share premium from issuance of shares.

(b) Surplus reserves

Surplus reserves consist of the statutory surplus reserve and the discretionary surplus reserve.

(i) Statutory surplus reserves (the "SSR")

According to the PRC Company Law and the articles of association of the Company, the Company is required to set aside 10% of their net profit (after offsetting the accumulated losses incurred in previous years) determined under PRC GAAP, to the SSR until the balance reaches 50% of the respective registered capital.

Subject to the approval of shareholders, the SSR may be used to offset the accumulated losses, if any, and may also be converted into capital, provided that the balance of the SSR after such capitalisation is not less than 25% of the registered capital of the Company's retained profits. Since the Company does not have net profit at its company level instead of Group level, no reserve has been provided.

(ii) Discretionary surplus reserves (the "DSR")

After making necessary appropriations to the SSR, the Company may also appropriate a portion of their net profit to the DSR upon the approval of the shareholders in general meetings.

Subject to the approval of the shareholders, the DSR may be used to offset accumulated losses, if any, and may be converted into capital.

(c) Other reserves

The investment revaluation reserve records the fair value changes of available-for-sale financial assets. The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the subsidiaries incorporated outside the PRC. Other reserves due to share-based payments records the fair value of share options granted to the directors and employees of the Company.

40. SHARE-BASED PAYMENTS

(a) 2014 Share Option Plan

On 4 December 2014, the general meeting of shareholders of the Company approved the establishment of an equity-settled share-based compensation plan (the "2014 Share Option Plan") that provides the granting options to eligible directors and employees (collectively, the "Grantees") to acquire shares of the Compamy at an exercise price of RMB1.5 yuan per share. Upon the 2014 Share Option Plan, shares have been reserved by one of the shareholders of the Company, namely Unifront Holding Limited. (Unifront Holding), for Grantees.

On 9 January 2015, the Company granted 60,000,000 share options to its directors and employees. Subject to the Grantee continuing to be a service provider, 100% of these options were vested upon fulfilling the condition in the share option agreement. Since then, these options were vested over 4 years.

(b) Revised 2014 Share Option Plan

Pursuant to "Bao Jian Fa [2015] No.56 – Notice on Relevant Matters Concerning the Insurance Companies to Carry Out Employee Stock Plan" issued by CIRC on 2 July 2015, the Company modified the terms and condtions of 2014 Share Option Plan. Such revised 2014 Share Option Plan ("Share Ownership Plan") has been approved by the general meeting of shareholders of the Company on 18 December 2015.

Under the Share Ownership Plan, Unifront Holding transferred 60,000,000 shares to two holding vehicles ("Holding Vehicles"), namely Shanghai Haoguan Investment Management Partnership (Limited Partnership) ("Shanghai Haoguan") and Shanghai Qianguo Investment Management Partnership (Limited Partnership) ("Shanghai Qianguo"). Aggregate considerations amounting to RMB90,000 thousand for such shares transfer have been paid by the two Holding Vehicles to Unifront Holding, after the Holding Vehicles received the cash paid in by the Grantees at the exercise price of RMB1.5 yuan per share.

Holding Vechiles	Number of shares of the Company held by the Holding Vechiles	Exercise price per share	Aggregate cash paid in by the Grantees	Cash settled to Unifront Holding
Shanghai Haoguan	28,570,000	RMB1.5 yuan	42,855	42,855
Shanghai Qianguo	31,430,000	RMB1.5 yuan	47,145	47,145

The Grantees can dispose their interests in the Holding Vehicles after the Company successfully complete an initial public offering and the Company's shares get listed in the stock exchange ("IPO and listing") and a three-year locking period ("Locking Period") after the IPO and listing. The Grantees will be entitled to a disposal of 25% of such interests in the Holding Vehicles each year after the Locking Period.

The Group has no legal or constructive obligations to repurchase the shares of the Company from the Holding Vechiles.

In five years, if the Company fails to complete an IPO and listing, Unifront Holding will have the constructive obligation to repurchase the shares held by the Holding Vehicles. The repurchase price will be determined at arm's length.

The directors have used the income approach-discounted cash flow method to determine the fair value of the shares of the Company, and adopted Black-Scholes Option Pricing Model and Binomial Option Pricing Model to determine the fair value of the underlying share options. Key assumptions, such as discount rate and projections of future performance, are required to be determined by the Directors with best estimate.

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40. SHARE-BASED PAYMENTS (continued)

(b) Revised 2014 Share Option Plan (continued)

Based on fair value of the underlying shares, the directors have used Binominal pricing model to determine the fair value of the share options as of the grant date, which amounted to RMB0.64 yuan per share option. Key assumptions are set out as below:

Dividend rate(%)	0.00
Volatility(%)	44.00
Risk-free interest rate(%)	3.427
Life of options(in years)	9.4
Estimate share price at grant date according to income approach(in RMB yuan)	1.4
Exercise price(in RMB yuan)	1.5

The total expenses recognized in the consolidated statement of comprehensive income for employee ownership plan is disclosed in Note 15.

The remaining contractual life of share options outstanding as at 31 December 2019 and 31 December 2018 are 4.9 years and 5.9 years, respectively.

41. BORROWINGS

	31 December 2019	31 December 2018
Bank Loan	—	33,333
Other Loan	—	26,383
	—	59,716

42. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	31 December 2019	31 December 2018
Securities - bonds		
– Inter-bank market	**2,326,973**	1,160,000
– Stock exchange	**1,722,752**	1,392,928
	4,049,725	2,552,928

As at 31 December 2019, bond investments of approximately RMB4,964,173 thousand were pledged as securities sold under agreements to repurchase. Securities sold under agreements to repurchase are generally repurchased within 12 months from the date the securities are sold.

43. REINSURANCE PAYABLES

	31 December 2019	31 December 2018
Within one year	205,802	334,944
Over one year	12,258	20,327
	218,060	355,271

44. INSURANCE CONTRACT LIABILITIES

	31 December 2019		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
Insurance contracts liabilities			
– Unearned premium reserves	5,368,632	(111,834)	5,256,798
– Claim reserves	2,174,008	(163,293)	2,010,715
	7,542,640	(275,127)	7,267,513
Incurred but not reported claim reserves	1,051,298	(62,099)	989,199

	31 December 2018		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
Insurance contracts liabilities			
– Unearned premium reserves	3,785,874	(123,066)	3,662,808
– Claim reserves	1,541,242	(120,150)	1,421,092
	5,327,116	(243,216)	5,083,900
Incurred but not reported claim reserves	650,435	(56,228)	594,207

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44. INSURANCE CONTRACT LIABILITIES (continued)

Movements of unearned premium reserves

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
1 January 2018	1,769,012	(98,997)	1,670,015
Premium written	11,255,718	(462,622)	10,793,096
Premium earned	(9,238,856)	438,553	(8,800,303)
31 December 2018	3,785,874	(123,066)	3,662,808
Premium written	14,629,589	(234,148)	14,395,441
Premium earned	(13,046,831)	245,380	(12,801,451)
31 December 2019	5,368,632	(111,834)	5,256,798

Movements of claim reserves

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
1 January 2018	661,064	(33,426)	627,638
Claims incurred	5,530,919	(262,483)	5,268,436
Claims paid	(4,650,741)	175,759	(4,474,982)
31 December 2018	**1,541,242**	**(120,150)**	**1,421,092**
Claims incurred	**8,924,304**	**(299,615)**	**8,624,689**
Claims paid	**(8,291,538)**	**256,472**	**(8,035,066)**
31 December 2019	**2,174,008**	**(163,293)**	**2,010,715**

45. OTHER LIABILITIES

	31 December 2019	31 December 2018
Payables to service suppliers	739,805	632,540
Salary and staff welfare payable	314,200	293,631
Deposit payable	262,694	19,522
Commission and brokerage payable	158,853	157,316
Claims payable	115,895	165,130
Payables for asset management fee	110,210	10,981
Tax payable other than income tax	80,117	34,571
Payables for securities purchased but not settled	53,625	—
Insurance guarantee fund	49,489	54,336
Others	159,089	75,497
	2,043,977	1,443,524

46. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation from loss before income tax to cash used in operating activities:

	Year ended 31 December 2019	Year ended 31 December 2018
Loss before income tax	(610,838)	(1,810,161)
Impairment loss	192,630	136,701
Net investment income	(1,775,786)	(774,485)
Net fair value changes through profit or loss	(169,896)	153,949
Depreciation of property and equipment	43,311	38,116
Amortization of intangible assets	119,601	74,513
Amortization of right-of-use assets	133,115	—
Gains on disposal of fixed assets, intangible assets and other long-term assets	(83)	—
Foreign exchange losses/(gains)	(1,962)	838
Finance costs	111,096	43,276
Expense recognized for share-based payments	—	780
Increase in premium receivables	(1,494,874)	(1,513,525)
Decrease/(Increase) in reinsurance assets	49,351	(240,687)
Amortisation of deferred income	(631)	(631)
Share of net loss/(profit) of associates and joint ventures	43,946	(6,830)
Change in insurance contract liabilities	2,183,613	2,786,247
Increase in other operating receivables	(470,468)	(856,771)
Increase in other operating liabilities	433,052	689,573
Cash used in operating activities	(1,214,823)	(1,279,097)

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47. RELATED PARTY TRANSACTIONS

The Company's directors were of the view that Ant Small and Micro Financial Services Group Co. Ltd. ("Ant Financial"), Ping An Insurance (Group) Co. of China Ltd. ("Ping An Insurance"), Tencent Holdings Limited ("Tencent"), Sinolink Worldwide Holdings Limited ("Sinolink Worldwide") and their subsidiaries and Shanghai Nuanwa were considered as related parties of the Group. Alibaba Group Holdings Limited ("Alibaba") and its subsidiaries were also considered as related parties of the Group given the relationship between Alibaba and Ant Financial Services. Key management personnel and the entity controlled or jointly controlled by a person was identified as key management personnel ("key management personnel") are considered as related parties of the Group as well. The Group's transactions with related parties were conducted under the ordinary course of business.

The Group had the following major transactions with related parties:

(a) Sale of insurance contracts

	Year ended 31 December 2019	Year ended 31 December 2018
Tencent and its subsidiaries	12,798	4,218
Alibaba and its subsidiaries	1,939	2,511
Sinolink Worldwide and its subsidiaries	300	28,681
Shanghai Nuanwa	183	—
Ant Financial and its subsidiaries	5	83
	15,225	35,493

(b) Claim from insurance contracts

	Year ended 31 December 2019	Year ended 31 December 2018
Tencent and its subsidiaries	8,808	3,024
Alibaba and its subsidiaries	3,799	4,081
Sinolink Worldwide and its subsidiaries	741	72
Shanghai Nuanwa	111	—
Ant Financial and its subsidiaries	11	(90)
	13,470	7,087

47. RELATED PARTY TRANSACTIONS (continued)

(c) Technical service fees

	Year ended 31 December 2019	Year ended 31 December 2018
Ant Financial and its subsidiaries	1,084,963	487,624
Tencent and its subsidiaries	742	7,669
	1,085,705	495,293

(d) Interest income

	Year ended 31 December 2019	Year ended 31 December 2018
Ping An Insurance and its subsidiaries	246	4,137

(e) Asset management fees

	Year ended 31 December 2019	Year ended 31 December 2018
Ping An Insurance and its subsidiaries	75,111	16,242

(f) Fees for purchasing goods and other services

	Year ended 31 December 2019	Year ended 31 December 2018
Alibaba and its subsidiaries	63,669	64,429
Shanghai Nuanwa	13,307	—
Tencent and its subsidiaries	10,973	16,818
Ping An Insurance and its subsidiaries	5,150	2
Ant Financial and its subsidiaries	3,104	9,924
Key management personnel	1,748	1,308
	97,951	92,481

Fees for purchasing goods and other services mainly include cloud rental fees, guarantee fees, advertising fees, other IT service fees and etc.

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47. RELATED PARTY TRANSACTIONS (continued)

(g) Capital transaction with Sinolink Worldwide

On 18 July 2019, ZhongAn Technology and Sinolink Worldwide, together with ZhongAn International, signed a tripartite capital increase agreement to inject respectively RMB1,000,000 thousand and RMB960,784 thousand into ZhongAn International, in accordance with their 51% and 49% shareholding of ZhongAn International. As of 31 December 2019, ZhongAn Technology and Sinolink Worldwide injected RMB400,000 thousand and RMB384,314 thousand to ZhongAn International, respectively.

On 26 July 2019, Sinolink Worldwide paid ZhongAn International HKD106,276 thousand in cash, equivalent to RMB93,549 thousand in total, to subscribe 93,549 thousand redeemable preference shares of RMB1 each respectively.

On 31 October 2019, ZhongAn International redeemed 140,000 thousand redeemable preference shares from Sinolink Worldwide Holdings Limited at total redemption price of RMB149,008 thousand.

On 22 October 2019, Sinolink Worldwide injected RMB384,314 thousand into ZhongAn International.

(h) Receivables with related parties

	31 December 2019	31 December 2018
Ping An Insurance and its subsidiaries (i)	**275,827**	357,568
Ant Financial and its subsidiaries	**50,195**	11,749
Shanghai Nuanwa	**1,348**	—
Tencent and its subsidiaries	**1,345**	122
Sinolink Worldwide and its subsidiaries	**—**	45
	328,715	369,484

(i) Due to the motor co-insurance business with Ping An Property and Casualty Insurance Company of China Ltd.

(i) Payables with related parties

	31 December 2019	31 December 2018
Ping An Insurance and its subsidiaries	**67,574**	5,184
Alibaba and its subsidiaries	**7,902**	15,185
Tencent and its subsidiaries	**246**	3,264
Sinolink Worldwide and its subsidiaries	**16**	15
	75,738	23,648

47. RELATED PARTY TRANSACTIONS (continued)

(j) Prepayments to related parties

	31 December 2019	31 December 2018
Alibaba and its subsidiaries	25,869	30,039
Shanghai Nuanwa	19,050	—
	44,919	30,039

(k) Compensations of key management personnel

The compensations paid or payable to key management personnel are shown below:

	Year ended 31 December 2019	Year ended 31 December 2018
Wages, salaries and bonuses	19,384	14,964
Share-based payments	—	543
Pension costs – defined contribution plans	504	561
Other social security costs, housing benefits and other employee benefits	542	504
	20,430	16,572

48. CONTINGENT LIABILITIES

Owing to the nature of the insurance business, the Group is involved in the making estimates for contingencies and legal proceedings in the ordinary course of business, both in the capacity as plaintiff or defendant in litigation and arbitration. Legal proceedings mostly involve claims on the Group's insurance products. Provision has been made for the probable losses to the Group, including those claims where directors can reasonably estimate the outcome of the litigations taking into account the related legal advice, if any. No provision is made for contingencies and legal proceedings when the result cannot be reasonably estimated or the probability of loss is so low.

In addition to the above legal proceedings, at 31 December 2019 and 2018, the Group has no major pending litigation as the defendant.

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49. COMMITMENTS

Operating lease commitments

We lease offices from third parties under non-cancellable operating leases. The following table below sets forth our future minimum lease payments under irrevocable rental contracts as of the dates indicated:

	31 December 2018
Within 1 year (including 1 year)	147,659
1 to 2 years (including 2 years)	135,598
2 to 3 years (including 3 years)	121,854
Over 3 years	180,484
	585,595

50. BALANCE SHEET AND STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

	31 December 2019	31 December 2018
ASSETS		
Cash and cash equivalents	422,838	549,770
Financial assets at fair value through profit or loss	—	512,449
Securities purchased under agreements to resell	160,000	—
Interest receivables	72,700	3,395
Premium receivables	3,532,160	2,037,286
Reinsurance receivables	238,028	287,379
Reinsurers' share of insurance contract liabilities	275,127	243,216
Available-for-sale financial assets	5,265,753	25,000
Restricted statutory deposits	294,338	293,963
Investments in subsidiaries	12,067,272	15,670,619
Investments in associates and joint ventures	323,651	322,565
Right-of-use assets	181,624	—
Property and equipment	55,356	82,286
Intangible assets	306,896	260,837
Deferred income tax assets	—	—
Other assets	1,689,076	1,259,875
Total assets	24,884,819	21,548,640
EQUITY AND LIABILITIES		
Equity		
Share capital	1,469,813	1,469,813
Reserves	16,373,128	16,623,868
Accumulated loss	(4,065,949)	(3,628,717)
Total equity	13,776,992	14,464,964
Liabilities		
Securities sold under agreements to repurchase	1,348,979	—
Premium received in advance	101,134	111,736
Reinsurance payables	218,060	355,271
Insurance contract liabilities	7,542,699	5,328,199
Lease liabilities	204,781	—
Deferred income tax liabilities	—	—
Other liabilities	1,692,174	1,288,470
Total liabilities	11,107,827	7,083,676
Total equity and liabilities	24,884,819	21,548,640

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019
(All amounts expressed in RMB'000 unless otherwise stated)

50. BALANCE SHEET AND STATEMENT OF CHANGES IN EQUITY OF THE COMPANY (continued)

The movements in reserves and accumulated losses of the Company are set out below:

	Share capital	Capital reserves	Available-for-sale investment revaluation reserves	Other reserves due to share-based payment	Accumulated losses	Total equity
1 January 2018	1,469,813	16,585,468	—	37,620	(2,097,904)	15,994,997
Total comprehensive loss	—	—	—	—	(1,530,813)	(1,530,813)
Share-based payments	—	—	—	780	—	780
31 December 2018	1,469,813	16,585,468	—	38,400	(3,628,717)	14,464,964
Total comprehensive loss	—	—	(250,740)	—	(437,232)	(687,972)
31 December 2019	1,469,813	16,585,468	(250,740)	38,400	(4,065,949)	13,776,992

51. SUBSEQUENT EVENT

On 8 January 2020, the Company injected RMB400,000 thousand into ZhongAn Technology, increasing its paid-in capital to RMB2,730,000 thousand. The Company holds 100% voting rights of ZhongAn Technology.

On 16 January 2020, ZhongAn Technology and Sinolink Worldwide injected RMB600,000 thousand and RMB576,471 thousand into ZhongAn International respectively. After this transaction, the registered capital of ZhongAn International increased to RMB2,070,784 thousand. ZhongAn Technology holds 51% voting rights of ZhongAn International.

On 16 January 2020, ZhongAn International redeemed 480,000,000 redeemable preference shares at total redemption price of RMB511,894 thousand.

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in January 2020 in Wuhan, Hubei Province, the World Health Organization declared in March 2020 that COVID-19 outbreak has become a global pandemic. The COVID-19 outbreak has certain impacts on the business operation and overall economy in some areas or industries around the world, including in China. The degree of the impact depends on the situation of the epidemic preventive measures, the duration of the epidemic and the implementation of regulatory policies, which remains unclear at present. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group going forward.

52. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved and authorized for issue by the Company's board of directors on 23 March 2020.

Definitions

"Alipay Insurance"	the insurance business segment under Ant Financial
"Ant Financial"	Ant Small and Micro Financial Services Group Co., Ltd. (浙江螞蟻小微金融服務集團股份有限公司), a limited liability company incorporated in the PRC (formerly known as Zhejiang Alibaba E-Commerce Co., Ltd. (浙江阿里巴巴電子商務有限公司) and incorporated on October 19, 2000) and one of our substantial shareholders
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Bestpay"	China Telecom Bestpay E-commerce Ltd. (天翼電子商務有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of China Telecom
"Board" or "Board of Directors"	the board of directors of our Company
"CG Code"	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules
"Chief Executive(s)"	has the meaning ascribed to it under the Listing Rules
"CBIRC"	the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
"CIRC"	the China Insurance Regulatory Commission (中國保險監督管理委員會)
"Company" or "Our Company"	ZhongAn Online P & C Insurance Co., Ltd. (眾安在綫財產保險股份有限公司), a joint stock limited company with limited liability incorporated in the PRC on October 9, 2013
"Director(s)"	the director(s) of our Company
"Domestic Shares"	ordinary shares issued by the Company, with a nominal value of RMB1, which are subscribed for or credited as paid in RMB
"Global Offering"	has the meaning ascribed to it in the Prospectus
"Grab"	Grab International Inc., a leading O2O platform in Southeast Asia, with which ZhongAn International has formed a joint venture company, GrabInsure
"Group", "we", "our" or "us"	the Company and its subsidiaries, or where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, such subsidiaries could be viewed as if they were the subsidiaries of the Company at the time

Definitions

"Guazi"	Guazi (瓜子), a second-hand auto sales platform operated by Chehaoduo Secondhand Auto Broker (Beijing) Co., Ltd. (車好多舊機動車經紀(北京)有限公司), a company incorporated in the PRC
"H Shares"	the overseas listed foreign invested ordinary shares in the ordinary share capital of the Company, with a nominal value of RMB1 each, which are to be subscribed for and traded in Hong Kong dollars, and a "H Share" means any of them
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Financial Reporting Standard"	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"iyunbao"	iyunbao.com (i雲保), an online insurance platform operated by Baotong Insurance Agent Co., Ltd. (保通保險代理有限公司), a company incorporated in the PRC
"JPY"	Japanese yen, the lawful currency of Japan
"Keywise Fund"	Keywise Greater China Opportunities Master Fund
"Latest Practicable Date"	March 23, 2020, being the latest practicable date prior to the printing of this annual report for ascertaining certain information contained in this annual report
"Lexin"	LexinFintech Holdings Ltd., a Cayman Islands company, and listed on the NASDAQ Global Market (stock code: LX)
"Listing"	the listing of the H shares on the Main Board of the Hong Kong Stock Exchange
"Listing Date"	September 28, 2017, the date on which the H Shares are listed and from which dealings in the H Shares take place on the Main Board of the Hong Kong Stock Exchange
"Listing Rules"	the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended or supplemented from time to time)
"Maodou"	Maodou (毛豆), an auto sales platform operated by Jinmaodou Technology Development (Beijing) Co., Ltd. (金毛豆技術開發(北京)有限公司), a company incorporated in the PRC
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules

"NTUC Income"	NTUC Income Insurance Co-operative Limited, the largest comprehensive insurer in Singapore
"Ping An Asset Management"	Ping An Asset Management Co., Ltd. (平安資產管理有限責任公司), a company established in May 2005 in the PRC with a registered capital of RMB1,500 million and a subsidiary of Ping An Insurance
"Ping An Group"	Ping An Insurance and its subsidiaries
"Ping An Insurance"	Ping An Insurance (Group) Co. of China, Ltd. (中國平安保險(集團)股份有限公司), a joint stock limited company incorporated in the PRC on March 21, 1988 listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 02318) and the Shanghai Stock Exchange (SSE: 601318), and one of our substantial shareholders
"Ping An P&C"	Ping An Property and Casualty Insurance Company of China, Ltd. (中國平安財產保險股份有限公司), a subsidiary of Ping An Insurance
"PRC" or "China"	the People's Republic of China, but for the purposes of this annual report only, except where the context requires, references in this annual report to the PRC or China exclude Hong Kong, Macau and Taiwan
"Prospectus"	the prospectus of the Company dated September 18, 2017
"RMB" or "Renminbi"	the lawful currency of PRC
"Reporting Period"	the year ended December 31, 2019
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Share(s)"	the shares in the share capital of our Company with a nominal value of RMB1 each
"Shareholder(s)"	the holders of the Shares
"Sinolink Worldwide"	Sinolink Worldwide Holdings Limited, a company incorporated in Bermuda as an exempted company and listed on the Mai Board of the Hong Kong Stock Exchange (Stock Code: 1168), and our connected person
"SOMPO"	Sompo Japan Insurance Inc., one of the top three property and casualty insurance companies in Japan
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Supervisor(s)"	members of the Supervisory Committee
"Supervisory Committee"	the supervisory committee of our Company
"Taobao Marketplace"	an e-commerce platform of Alibaba

Definitions

"Tencent"	Tencent Holdings Limited, a company incorporated in the Cayman Islands and listed on the Main Board of the Hong Kong Stock Exchange
"Tencent Computer System"	Shenzhen Tencent Computer Systems Company Limited (深圳市騰訊計算機系統有限公司) is a limited liability company incorporated in the PRC on November 11, 1998, one of our substantial shareholders and s subsidiary of Tencent
"Tencent Technology"	Tencent Technology (Shenzhen) Company Limited (騰訊科技(深圳)有限公司), a company incorporated in the PRC on February 24, 2000 and a wholly-owned subsidiary of Tencent
"Tmall"	Tmall.com (天貓), an online platform created by Alibaba
"U.S."	United States of America
"USD"	United State dollars, the lawful currency of the United States of America
"ZhongAn International"	ZhongAn Technologies International Group Limited (眾安科技(國際)集團有限公司), a subsidiary of our Company, incorporated in Hong Kong on September 22, 2017
"ZhongAn Microloan"	Chongqing ZhongAn Microloan Limited Company, a subsidiary of our Company, incorporated in the PRC on November 9, 2017
"ZhongAn Technology"	ZhongAn Information and Technology Services Co., Ltd. (眾安信息技術服務有限公司), a wholly-owned subsidiary of our Company, incorporated in the PRC on July 7, 2016
"%"	per cent

Glossary

"AI"	artificial intelligence
"cede"	the transfer of all or part of a risk written by an insurer to a reinsurer
"claim"	an occurrence that is the basis for submission and/or payment of a benefit under an insurance policy. Depending on the terms of the insurance policy, a claim may be covered, limited or excluded from coverage
"commission"	a fee paid to an agent or broker by an insurance company for services rendered in connection with the sale or maintenance of an insurance product
"customer"	unless otherwise indicated, the insured under our insurance policies. The number of our customers was calculated based on unique identifiers and contact information available to us
"gross written premiums" or "GWP"	total premiums (whether or not earned) for insurance contracts written or assumed during a specific period, without deduction for premiums ceded
"handling charges and commissions"	fees paid to insurance agents for the distribution of our products
"insured"	the insured person as specified in the insurance product
"Insuretech"	use of technology innovations designed to achieve savings and efficiency from the traditional insurance industry model
"net investment income"	the sum of interest income, dividend income and realized gains or losses on securities through profit or loss and available-for-sale securities
"net premiums earned"	net written premiums less net change in unearned premium reserves during a period
"O2O"	online to offline business model
"premium"	payment and consideration received on insurance policies issued or reissued by an insurance company
"reinsurance"	the practice whereby a reinsurer, in consideration of a premiums paid to it, agrees to indemnify another party for part or all of the liabilities assumed by the reinsured party under an insurance contract, which the reinsured party has issued
"reserves"	liability established to provide for future payments of claims and benefits to policyholders net of liability ceded to reinsurance companies
"SaaS model"	software as a service model
"unearned premium reserves"	portions of written premiums relating to unexpired risk of insurance coverage

Corporate Information

Board of Directors

Executive Directors:

Yaping Ou *(Chairman)*
Jin Chen
Hugo Jin Yi Ou

Non-executive Directors:

Xinyi Han
Jimmy Chi Ming Lai***
Guoping Wang*
Xiaoming Hu
Fang Zheng*
Liangxun Shi*
Ming Yin*

Independent Non-executive Directors:

Shuang Zhang
Hui Chen
Li Du**
Yifan Li
Ying Wu
Wei Ou**

Supervisors

Yuping Wen
Baoyan Gan
Haijiao Liu

Audit Committee

Hui Chen *(Chairman)*
Yifan Li
Liangxun Shi

Risk Management Committee

Yifan Li *(Chairman)*
Xiaoming Hu
Ming Yin

Remuneration and Nomination Committee

Shuang Zhang *(Chairman)*
Yaping Ou
Ying Wu

Investment Strategy Committee

Jin Chen *(Chairman)*
Hugo Jin Yi Ou
Xinyi Han
Jimmy Chi Ming Lai

Related Transactions Control Committee

Wei Ou *(Chairman)*
Hui Chen
Yifan Li

Headquarters and Principal Place of Business in the PRC

219 Yuanmingyuan Road
Shanghai
PRC

Registered Office

4–5/F, Associate Mission Building
169 Yuanmingyuan Road
Shanghai
PRC

Principal Place of Business in Hong Kong

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

H Share Registrar

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Joint Company Secretaries

Yongbo Zhang
Ella Wai Yee Wong

Authorized Representatives

Jin Chen
Ella Wai Yee Wong

Legal Advisors

As to Hong Kong and U.S. laws:
Skadden, Arps, Slate, Meagher & Flom

As to PRC law:
CM Law Firm

Auditors

PricewaterhouseCoopers
Certified Public Accountants and Registered PIE Auditor

Principal Banks

ICBC Shanghai Branch Sales Department
CITIC Bank Shanghai Branch Sales Department

Listing Information

Stock Code: 6060

Company Website

www.zhongan.com

* Liangxun Shi and Ming Yin were appointed as non-executive Directors on November 18, 2019 when Guoping Wang and Fang Zheng ceased to be non-executive Directors with effect from the same day.

** Wei Ou was appointed as an independent non-executive Director with effect from December 19, 2019 when Li Du ceased to be an independent non-executive Director with effect from the same day.

*** Jimmy Chi Ming Lai ceased to be a non-executive Director with effect from March 23, 2020.

众安保险
ZhongAn Insurance