众安保险
ZhongAn Insurance

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 RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2020

The board of directors of ZhongAn Online P & C Insurance Co., Ltd. (the "**Company**") announces the following audited annual results of the Company and its subsidiaries for the year ended December 31, 2020. This announcement, containing the full text of the 2020 Annual Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") in relation to information accompanying preliminary announcements of annual results.

Both the Chinese and English versions of this results announcement are available on the websites of the Company (www.zhongan.com) and the Hong Kong Stock Exchange (www.hkexnews.hk). Printed version of the Company's 2020 Annual Report will be delivered to the holders of H shares of the Company and available for viewing on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and of the Company (www.zhongan.com) at the end of March 2021.

By Order of the Board
ZhongAn Online P & C Insurance Co., Ltd.
Yaping Ou
Chairman

Shanghai, the PRC, March 23, 2021

*As at the date of this announcement, the board of directors of the Company comprises two executive directors, namely Mr. Yaping Ou (chairman) and Mr. Hugo Jin Yi Ou, four non-executive directors, namely Mr. Xinyi Han, Mr. Liangxun Shi, Mr. Ming Yin and Mr. Weibiao Zhan**, and five independent non-executive directors, namely Mr. Shuang Zhang, Ms. Hui Chen, Mr. Yifan Li, Mr. Ying Wu and Mr. Wei Ou.*

* *For identification purposes only and carrying on business in Hong Kong as "**ZA Online Fintech P & C**"*

** *Mr. Weibiao Zhan shall be a non-executive director of the Company upon his qualification as a director of the Company being approved by the China Banking and Insurance Regulatory Commission.*

CONTENTS

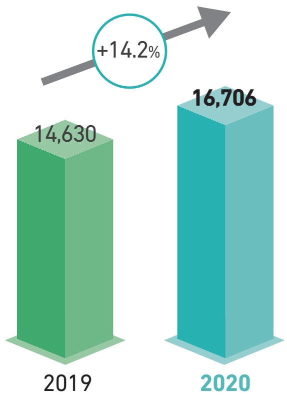
Five-Year Financial Summary

	AUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (RMB'000)				
	Y2020	Y2019	Y2018	Y2017	Y2016
Gross written premiums	**16,708,504**	14,629,589	11,255,718	5,954,475	3,408,048
Net profit/(loss) for the year	**254,380**	(638,645)	(1,796,718)	(996,356)	9,372
Net profit/(loss) attributable to owners of the parent	**553,786**	(454,101)	(1,743,895)	(997,250)	9,372
Basic earnings/(loss) per share (in RMB)	**0.38**	(0.31)	(1.19)	(0.77)	0.01
Total assets	**45,673,436**	30,907,575	26,341,096	21,149,492	9,332,223
Total liabilities	**28,280,101**	14,402,044	9,866,423	3,878,796	2,473,251
Total equity	**17,393,335**	16,505,531	16,474,673	17,270,696	6,858,972
Equity attributable to equity owners of the parent	**15,705,350**	14,911,655	15,432,039	17,126,913	6,858,972
Combined ratio (%)	**102.5%**	113.3%	120.9%	133.1%	104.7%
Comprehensive solvency margin ratio (%)	**560%**	502%	600%	1,178%	722%

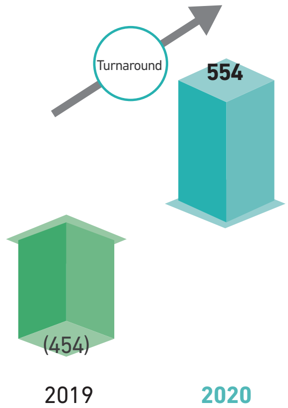
Results Summary

Overall Operating Results

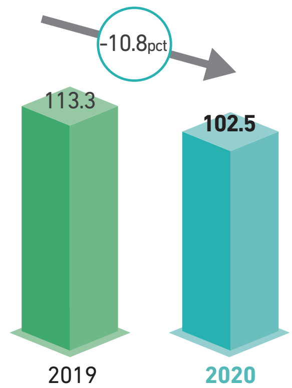
Gross written premiums[1]
(RMB million)



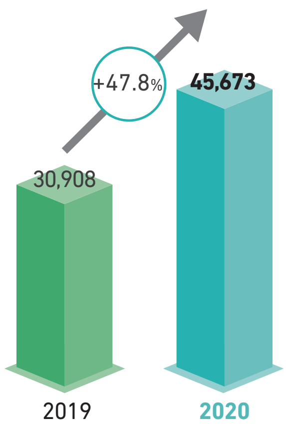
Net profit/(loss) attributable to owners of the parent
(RMB million)



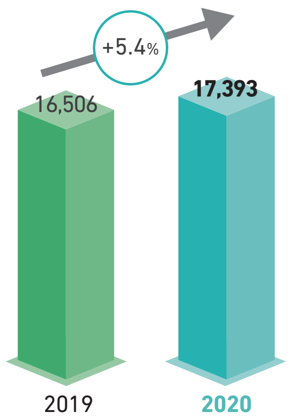
Combined ratio%



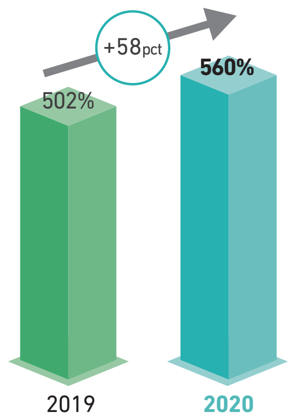
Total assets
(RMB million)



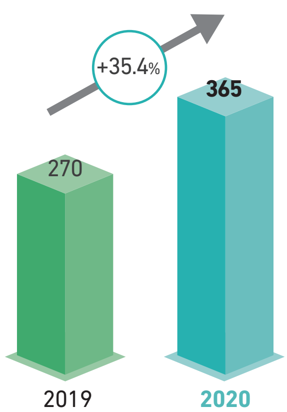
Total equity
(RMB million)



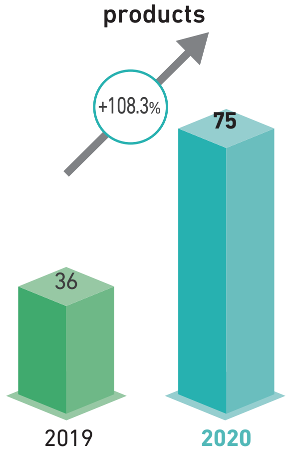
Comprehensive solvency margin ratio
(RMB million)



Revenue from technology export
(RMB million)



Number of insurance industry customers of insurance system products



1 excluding life insurance business

Message from the Chairman and CEO

Message from the Chairman

With a focus on the new starting point and pursuing growth with quality, ZhongAn will continue to enhance its strengths in technology, product and brand. We are confident to continuously lead the development in the new era of insurance in this land of passion.

Yaping Ou
Chairman

Dear Shareholders,

The year 2020 was memorable and full of uncertainties. While the COVID-19 pandemic has accelerated the pace of digitalization across industries, the PRC insurance sector is also experiencing a shift toward lean operation and high-quality growth, and the market landscape is gradually evolving toward an all-win Eco model. In this special time, we continued to pursue growth with quality and reached new heights in various aspects. For instance, we ranked among the top 10 players in the PRC property and casualty insurance sector in terms of scale of GWP for the first time, turning us into a force to be reckoned with on insurance market. While maintaining a steady business growth, we continued to increase our investment in the Insuretech sector. We completed our first offshore debt financing by public issuance as well as the H Share full circulation. Meanwhile, ZhongAn Bank and ZA Life officially opened for business in Hong Kong. These new breakthroughs accomplished in business, capital and technology have laid down a solid foundation for ZhongAn to pursue its development and strategic plan in the future.

Technology is the bedrock for insurance in the future, and the "New Infrastructure" for insurance sector and digital-driven new ecosystem cannot do without being backed by technology. As the first Internet-based Insuretech company in China, ZhongAn has made promoting the integration of technology and insurance its mission ever since its inception. From connecting scenarios to integrating different operations and further to promoting digital transformation through technology export, we have been committed to redefining the finance value chain through technology and maximizing the synergetic value of various ecosystems. Looking forward, with a focus on the new starting point and pursuing growth with quality, ZhongAn will continue to enhance its strengths in technology, product and brand. We are confident to continuously lead the development in the new era of insurance in this land of passion.

Over the past seven years, our every success has depended on the trust and support from our Shareholders, partners and clients, and for which I am very grateful. With you, we could have more courage and determination to unswervingly do the hard things and do the right things, and write a wonderful passage of our own on a path mush less travelled. I wish that everyone in ZhongAn could, with hope and dream, take real actions to make exploration into possibility and achieve breakthrough and development all together.

As a Chinese saying goes, with deeds, we are bound to make a long destination reached and a hard job done. Let's adhere to our original aspiration and keep working hard to jointly create a more beautiful future.

Yaping Ou
Chairman

Message from CEO

As a leading Insuretech company in the world and with our well-established strengths in online operation for many years, ZhongAn will leverage on opportunities of the era to lead global fintech innovation.

Xing Jiang
Chief Executive Officer

In 2020, the year of Gengzi, the sudden outbreak of the COVID-19 epidemic had huge impact on the global economy. The epidemic has caused interruptions to outdoor activities and brought many irreversible changes to various industries worldwide. However, we saw more opportunities in such risk: the digital wave has been sweeping across the world, and the global Insuretech industry is also accelerating the transformation from offline to online. As a leading Insuretech company in the world and with our well-established strengths in online operation for many years, ZhongAn will leverage on opportunities of the era to lead global fintech innovation.

In 2020, ZhongAn recorded a GWP of approximately RMB16.71 billion, representing a year-on-year increase of approximately 14.2%. ZhongAn achieved profitability for the first time since its Listing. Net profit attributable to owners of the parent reached approximately RMB550 million, representing a year-on-year improvement of approximately RMB1,010 million. Internet insurance business has recorded positive profit for two consecutive years. Driven by a GWP growth rate higher than the industry average, ZhongAn for the first time ranked 9th among the top 10 companies in the PRC property and casualty insurance market in terms of size of GWP, becoming the youngest one of top 10 companies, and ranked 1st in the PRC Internet P&C insurance market. In addition, benefiting from the whole-process intensive integration of technology with insurance, the combined ratio decreased by approximately 10.8 percentage points from approximately 113.3% for 2019 to approximately 102.5% for 2020. We served over approximately 524 million insured users, with the total number of insurance policies exceeding 7.9 billion.

We center around customers and interact with customers more frequently through eco-oriented insurance product innovation. ZhongAn's products and services have gained wider recognition.

In 2020, our health ecosystem underwent an all-round strategic upgrade. By integrating health insurance products with Internet medical services, we launched the outpatient and emergency version of Personal Clinic Policy (門急診版尊享e生), which included ZhongAn's Internet hospital outpatient service into the coverage. "ZhongAn Medical Manager" (眾安醫管家), our family doctor service, was grandly launched to provide customers with one-stop health management solutions. As such, ZhongAn completed the closed-loop layout of "insurance protection + medical service" in health ecosystem, upgrading from low-frequency coverage to high-frequency services.

Message from CEO

As digitalization further penetrates customers' lives, we have followed customers' steps closely to further enrich digital lifestyle product matrix based on the original products such as e-commerce and travel, driving the rapid growth of digital lifestyle ecosystem with innovative products. We launched phone screen crack insurance, which is based on big data risk control capability and innovative photo-taking insurance purchase method. We embraced pet economy and launched pet insurance with nose pattern recognition technology, which has served millions of pet owners.

In the consumer finance ecosystem, in response to the rising risk in the consumer finance industry, we proactively raised our risk control standards and strictly monitored the risk performance of the underlying assets. Relying on technology-enabled dual life cycle risk management system, we improved the loss ratio significantly.

In the auto ecosystem, we continued to work in-depth with ecosystem partners to accumulate a lot of customer insights with big data technology, and built a data-driven customer marketing and operation management platform to cope with the dual pressure of the epidemic and the comprehensive reform on the auto insurance market.

2020 was also the first "breaking-the-circle" year for ZhongAn. We increased investment to build ZhongAn into a "nationalization" brand and our own platform highland. In April, ZhongAn grandly invited Guoli Zhang as our first brand spokesman in order to promote the brand awareness of "national insurance". As the second brand sponsor of Douyin's Spring Festival events for the Year of the Ox, ZhongAn paid New Year's greetings to Chinese people all over the world in the rain of red packets. With the improvement of the awareness and attention of the ZhongAn brand, GWP from our own platform was approximately RMB2.17 billion in 2020, about doubled from the corresponding period of last year. The monthly active users of ZhongAn App for the fourth-quarter of 2020 have increased year-on-year by approximately 2.6 times, representing a leading position in the industry. The number of followers of ZhongAn short video account reached more than 5 million, ranked number 1 in the insurance industry.

In the early days of inception, ZhongAn has nailed down the two-winged growth strategy of "Insurance + Technology", and since then has been long committed to the research and development of cutting-edge technologies with a prospective view, so that it could technologize and evolve all the elements throughout the process of its insurance business. In 2020, ZhongAn invested approximately RMB900 million in research and development activities, representing an accumulated R&D investment of more than RMB3.6 billion since our establishment. As of the end of 2020, we accumulated up to 503 patent applications, including 174 overseas patent applications. We have successfully implemented "Wujieshan 2.0", the core insurance system of next generation built based on native cloud architecture. With long-term investment and keeping an eye on blockchain area, the "Information Technology – Blockchain and Distributed Ledger Technology – Smart Contract Implementing Specification" (《信息技術區塊鏈和分布式記帳技術智能合約實施規範》) formulated by, among others, ZhongAn Technology which has played a leading role, was approved by Blockchain National Standard Proposal Approval. By deeply integrating blockchain technology with insurance business, we worked together with China Construction Bank to issue the first digital RMB insurance policy. Technology improved the efficiency of our operation and made our operations more caring, which improved customer experience in all aspects: our brand-new intelligent customer service has covered 62% of the Company's service scenarios and the smart IVR navigation rate reached 97%, which increased the online operational effectiveness by 108%. 90% of customers of Personal Clinic Policy could claim for settlement online and receive claim amounts in seconds in the fastest circumstances.

Great Way has no boundaries, technology knows no borders. As the leading Insuretech service provider in the world, ZhongAn has always been striving to promote the digital transformation and upgrading of insurance industry. In terms of international markets, ZhongAn International has become the regional technology partner of AIA Group. In December, we established a joint venture with OVO, Indonesia's leading e-wallet platform, to provide cutting-edge Fintech applications for Indonesian insurance ecosystem. We conduct in-depth cooperation with Grab, one of the largest Internet groups in Southeast Asia, and jointly build the GrabInsure platform to provide different groups with a full range of insurance services. In China, ZhongAn became one of the first batch national digital transformation partners in May 2020. We cooperated with several leading insurance companies to output such products as X-Man and a new generation of insurance core systems. We independently developed the visual backtracking system for Internet insurance sales behavior, which has provided solutions for 42 insurance industry chain companies.

Based on technology and taking property and casualty insurance as its starting point, ZhongAn has satisfied the insurance and protection needs of many new generations and new formats. At the same time, we are active in opening up new tracks. ZA Bank, which started its pilot operation in Hong Kong at the end of 2019, commenced business during the epidemic in 2020. As of the end of 2020, the number of customers have exceeded 220,000; and has absorbed personal deposits of more than HK$6 billion, using personal loans of HK$650 million to meet users' financial demands. In May, ZhongAn has obtained a digital-only insurer license from the Hong Kong Insurance Authority. Empowering life insurance with ZhongAn's existing technological advantages and insurance experience, ZA Insure opened up quickly in May and rolled out 4 protection related insurance products to provide accurate and high-quality products and services to Hong Kong customers, which bridged efficiently the protection gap in Hong Kong's life insurance market and stimulated the innovative vitality of the traditional life insurance market with creative new models and practices.

Regarding the capital markets, ZhongAn issued an aggregate of USD1 billion senior unsecured notes in 2020, setting the highest financing record in the global Insuretech industry. As the first appearance in the international debt market, such issuance has not only enriched the financing channel of the Company, but also significantly improved the recognition and influence in international capital markets. In December, ZhongAn achieved full circulation of its H shares, which could further fully reflect the Company's market value and also lay solid foundation for future development and strategic layout.

In an era of rapid digitalization, we have become accustomed to the surprises brought by technology. With every innovation and breakthrough, we always accumulate higher expectations for the future. On the threshold of new globalization, blending the ongoing technology revolutions in various fields, we believe the future will be more variable. As a global leader in the Insuretech industry, ZhongAn shoulders more responsibilities. We will rise to various challenges in the turbulent era of transformation and inspire our partners in the ecosystem to work together to create unprecedented value.

Time is frenemy, our mission of "driving financial developement through technology and introducing service-oriented insurance products to the market" is enduring. ZhongAn will continue to focus on value creation, we will use the light of technology to illuminate the way of initiation and exploration, and the global Insuretech industry will become different because of us. There is always a way ahead only for those of action, and future success belongs only to doers.

Xing Jiang
Chief Executive Officer

Corporate Milestone

October 9, 2013

Establishment of the Company

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

April 2014

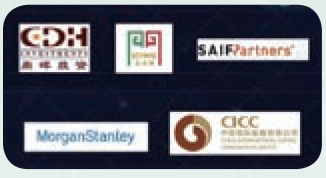
Wujieshan

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

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.

July 7, 2016

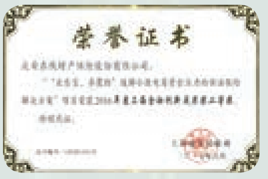
ZhongAn Technology

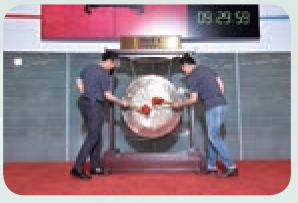
ZhongAn Information and Technology Services Co., Ltd., a wholly-owned subsidiary of the Company, was incorporated.

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.

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.

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.

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.

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.

May 2020

ZA Insure

Obtained a digital-only insurer license in Hong Kong and officially opened for business on May 18, 2020.

December 2020

Issued the USD Notes

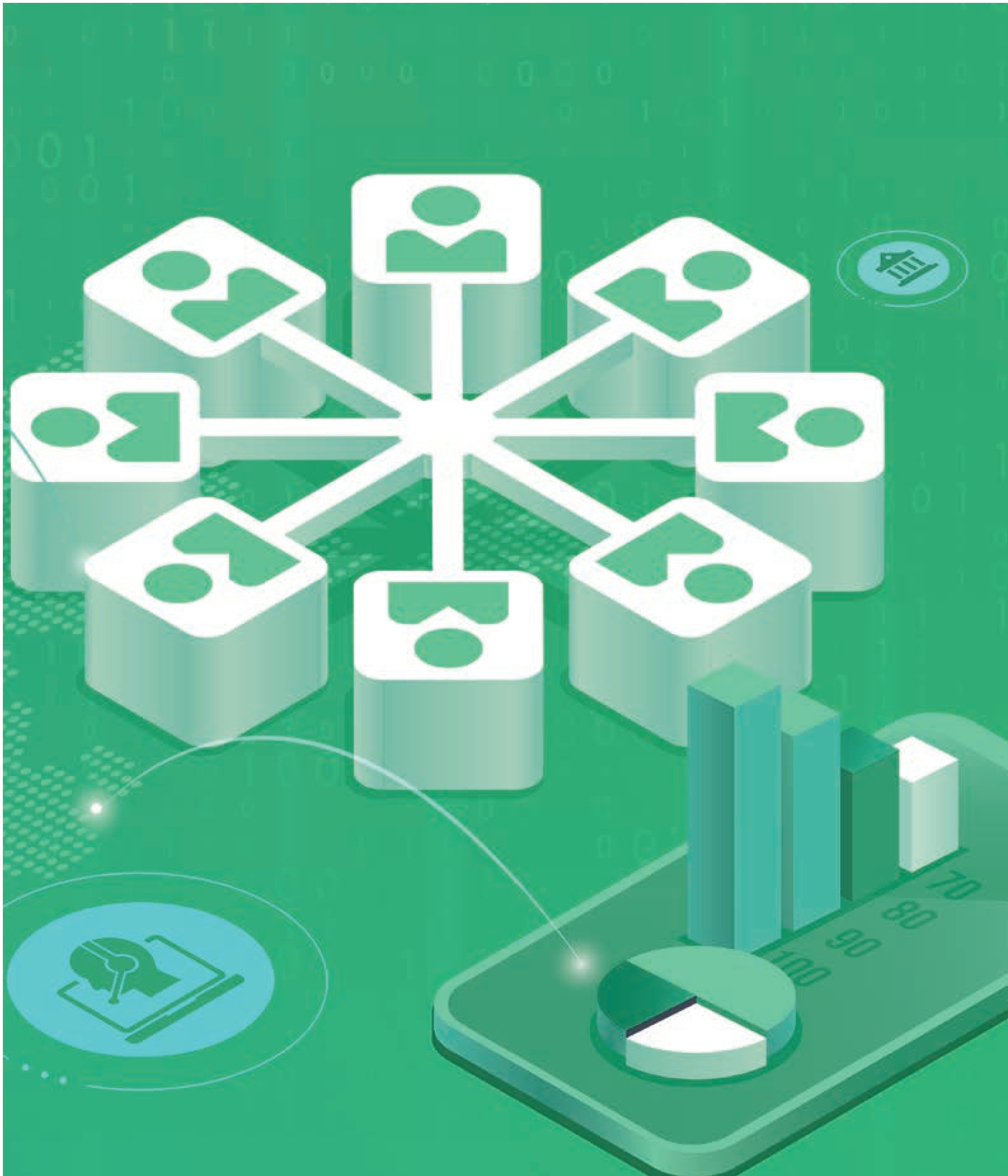
ZhongAn publicly issued an aggregate of USD1 billion senior unsecured notes setting the highest financing record in global Insuretech industry.

December 2020

H Share full circulation

ZhongAn Online completed the H Share full circulation programme.

Management Discussion and Analysis


100
90
80
70

Management Discussion and Analysis[1]

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 embrace the two-winged growth strategy of "Insurance + Technology", and adhere to integrating technologies into the whole insurance value chain. By empowering the insurance value chain with technologies and adopting an ecosystem-oriented approach, we focus on the Internet life from the customer end through our ecosystem partners and self-developed platform, in order to meet the diversified protection demands of customers and create value for them. Meanwhile, we proved and upgraded our technology strengths 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.

ZhongAn recorded a total GWP of approximately RMB16,705.9 million in 2020, representing a year-on-year increase of approximately 14.2%, and we firstly ranked 9th of the top 10 insurance companies in the PRC property and casualty insurance industry. By capitalizing on the trend of insurance service shifting from offline to online with its own technological capability, ZhongAn became the youngest player in the PRC property and casualty insurance market in only 7 years since its establishment. Moreover, ZhongAn also ranked 1st in the PRC Internet property and casualty insurance market in 2020.

Technology drives the creation of user value

We stick to pursuing growth with quality and develop the health ecosystem and digital lifestyle ecosystem with better profit margin and higher user value. Our business structure has been continuously optimizing. In 2020, the health ecosystem increased approximately 37.4% year-on-year, with the proportion of GWP contribution to total GWP increasing to approximately 40% (2019: approximately 33%); the digital lifestyle ecosystem[2] increased approximately 25.2% year-on-year, with the proportion of GWP contribution to total GWP increasing to approximately 38% (2019: approximately 34%). The driving forces behind our business growth included the following:

(1) **Thanks to ZhongAn's mature online services and convenient user experience, we effectively captured the rapid growth in consumer demand for insurance fueled by the pandemic**

With the outbreak of the COVID-19 pandemic in early 2020, users' health awareness has been rapidly improved, and the health insurance market has ushered in a vigorous development. The industry's growth rate has far exceeded other insurance types, and users' insurance purchase behavior has further migrated from offline to online. The accelerated development and penetration of China's Internet insurance has brought huge opportunities, and ZhongAn's health ecosystem relied on years of mature Internet experience and user-centric product operations to effectively grasp this market opportunity and achieved a higher level of 17% growth than the health insurance industry. The growth rate of the whole year's health ecosystem reached approximately 37.4%, and the annual GWP of individual insurance product series achieved a year-on-year growth of approximately 41.0%.

(2) **Accelerate the construction of a closed-loop of the health ecosystem which covers the user's life cycle and creates long-term value**

The epidemic has not only stimulated the needs of users for health insurance protection, but also awakened users' deeper needs for medical services and health management. In 2020, we have carried out a strategic upgrade to the health ecosystem. We integrated Internet medical services and health insurance products, launched the outpatient and emergency version of Personal Clinic Policy (尊享e生) products, included the outpatient services of ZhongAn Internet Hospital in the scope of coverage, and provided an one-stop-shop solution that encompasses medical consultation, health management, disease prevention and medical information, to assist users to manage their health in a more efficient and convenient way. Our Internet-based light asset model deeply integrates insurance + online healthcare + medical services, realizing the upgrade of the health ecosystem from low-frequency protection to high-frequency services, meeting the needs of users for various medical services under different health conditions, and improving user's experience and loyalty.

In 2020, we further improved the product matrix which focuses on Personal Clinic Policy (尊享e生) and user needs, and fixes the price through big data, we have further launched new product series such as Inclusive Clinic Policy (普惠e生), multiple-paid critical illness insurance, etc., covering more segments of the population, including customers with chronic disease and sub-health customers, etc., and have better carried out our concept of inclusive health.

At the end of October 2020, we launched the family doctor service of "ZhongAn Medical Manager", which provides 24/7 online consultation, electronic prescription and home delivery services for our health insurance users through more than 2,000 doctors.

The construction of a closed-loop of the health ecosystem has achieved outstanding results. The per capita income contribution of individual health insurance products has increased from RMB241 in 2017 to RMB453 in 2020, and the compound growth rate has reached 23.4%. As of December 31, 2020, there has been approximately 65% of Personal Clinic Policy Series customer[3] overlapping our value-added services.

1 Except for specially explained, all data of the insurance business referred to in Management Discussion and Analysis does not include life insurance business.
2 Original lifestyle consumption ecosystem and travel ecosystem
3 Based on the statistics of the cooperation channels of the value-added service overlay package that has been launched.

(3) **Pay close attention to new Internet scenarios, enhance brand influence, and drive the increase in premiums contribution of proprietary platforms**

In 2020, ZhongAn has made great progress in terms of brand building. The first brand spokesperson, Guoli Zhang (張國立), was announced and became our "National Experience Officer (國民體驗官)". We embraced the rapid development of new scenes such as the traffic bonus of live broadcasts and short video. By focusing on users and taking our own advantages in user profiles and content operations, we have grown rapidly in consumer perception. In 2020, the number of fans and growth rate of followers in Douyin and Kuaishou, both are short video APPs for young people, ranked 1st in the industry, and the brand awareness in Douyin has been increased by 3 times.

During the Spring Festival, we became a special cooperation brand of Douyin in 2021 "Hometown Reunion Year (家鄉團圓年)" and received 15 billion page views. Relying on the two-way transmission of "Spring Festival Red Packet + insurance health knowledge", we can protect everyone's wallet and health from the perspective of insurance, reflecting our ability to grasp the trend and capabilities of operation for content and user. Leveraging on the potential of IP, we invited national spokespersons to play cross-industry and do charity. Using the brand marketing and upgrade strategy of "nationalization + rejuvenation + charity", and through the deep binding of brand communication and operation transformation, we can realize the transformation from product operation to user operation.

We actively analyze user profiles and behavior traces in Internet platforms, use original content to acquire users in new scenarios in public domains such as short videos and live broadcasts, and continue to conduct market education, and then use private domain traffic to accumulate users, and use a variety of services to retain users in our proprietary platforms (including APP, mini programs, official websites, etc.). Leveraging the self-developed intelligent marketing system, we apply user profiles to achieve targeted marketing and customer reach in new scenarios, and implement closed-loop real-time monitoring of the entire marketing process to continuously optimize our marketing efforts. The monthly active users of ZhongAn APP for the fourth quarter of 2020 have increased year-on-year by approximately 2.6 times, representing a leading position in the industry.

As we continue to enhance our ability to carry out marketing, acquire customers and offer services through our proprietary platforms, the GWP from our proprietary platforms reached approximately RMB2,168.1 million in 2020, a year-on-year increase of approximately 94.6%, and its contribution to the Company's GWP increased to approximately 13% (2019: approximately 8%); the contribution of our proprietary platforms to the GWP of the health ecosystem also increased to approximately 32% (2019: approximately 23%).

Leveraging the multi-carrier matrix of ZhongAn App, mini programs, WeChat Official Accounts, Douyin Accounts, Kuaishou Accounts, WeChat Work Accounts, etc., we have established a service system integrating function and content with a variety of marketing methods. We rely on algorithms and data analysis to classify users, customize different products and services, and awaken users to create greater value.

On our proprietary platforms, we gathered more than 2,000 user labels based on various categories of their characteristics, and implemented algorithm-driven redirecting based on user profiles such as age, gender, family and products purchased. The upselling rate[1] of self-developed platform has reached approximately 16.6% in 2020.

(4) **Innovative products boost the rapid growth of digital lifestyle ecosystem and further penetrate the Internet life of users**

As users' mobile digital lifestyle scenarios have become more diversified, we launched more innovative products in 2020 by exploiting our data analysis advantages and user operation capabilities, and became the new growth drivers of digital lifestyle. For example, phone screen crack policy, which is based on big data risk control capability and innovative photo-taking insurance purchase method; family property insurance, an insurance product centering around home life; as well as pet insurance, which is spawned by the pet economy. Such products fully penetrated users' digital lifestyle to better serve users and boosted the revenue of digital lifestyle ecosystem to achieve approximately 25.2% growth in 2020, in which the proportion of revenue generated from innovative businesses[2] increased from approximately 4% in 2019 to approximately 16% in 2020.

After one year's exploration, our pet insurance has served more than one million pet owners, and we have also joined hands with the Hangzhou Municipal Government and Shaoxing Municipal Government to promote intelligent pet keeping service. Benefited from the continuous evolution of our diversified product matrix, the contribution of per capita premium in digital lifestyle ecosystem has also increased from approximately RMB10.8 in 2019 to approximately RMB12.7 in 2020, up by approximately 17.6% year-on-year.

1 Upselling rate = (number of insurers who purchased other ZhongAn insurance products for themselves + number of insurers who purchase ZhongAn insurance products for their families in self-developed platform) / total amount of insurers in self-developed platform.

2 Innovative businesses refer to new products that are currently in the early stage of market education and have a larger market space in the future.

Management Discussion and Analysis

Empowering cost reduction and efficiency improvement with technologies

Due to our persistent pursuit for "growth with quality" as well as technology-driven cost reduction and efficiency improvement, the combined ratio for 2020 improved from approximately 113.3% in 2019 to approximately 102.5%, representing a year-on-year improvement of approximately 10.8 percentage points. In particular, the loss ratio was approximately 54.1%, representing a year-on-year drop of approximately 13.3 percentage points, while the expense ratio increased by approximately 2.5 percentage points year-on-year to approximately 48.4%. The underwriting loss for 2020 has narrowed to approximately RMB408.1 million, representing a year-on-year decrease of approximately RMB1,290.7 million or approximately 76.0% as compared to the underwriting loss of approximately RMB1,698.8 million for 2019.

Specifically we have taken the following measures:

(1) Pursuing "growth with quality" and further optimizing our business structure: Benefiting from the rapid growth of health and digital lifestyle ecosystems and their increasing weight in GWP, our combined ratio has further improved. In 2020, we concentrated more resources on our health and digital lifestyle ecosystems with profit ratio and user value. As a result, the proportion of GWP from health and digital lifestyle ecosystems reached 40% and 38%, respectively, and our business structure further improved.

(2) Developing consumer finance business in a more prudent attitude, scaling down business, tightening risk control strategy and significantly improving the loss ratio of consumer finance: Under the adverse environment resulting from the outbreak of the COVID-19 epidemic in early 2020, we focused on risk control and paid close attention to the impact of macro factors on the businesses. We further strengthened our risk control measures and tightened the assessment of users' repayment abilities. In particular, we tightened our lending standards when cooperating with online finance platforms to control overdue risks caused by the macroeconomic downturn. Our risk control strategy has effectively kept the loss ratio of the consumer finance ecosystem under control. In 2020, the loss ratio of the consumer finance ecosystem has dropped to approximately 63.3%, and the outstanding loan balance shrank to approximately RMB16.1 billion, representing a decrease of approximately 37.2% from the end of 2019. The prudent risk-focused development strategy has significantly reduced the impact of the consumer finance ecosystem on the overall loss ratio of the Company.

(3) Leveraging on automated and intelligent business processes to further our scale advantage during high-growth periods: We continue to enhance the degree of automation and intelligence of every process, which has begun to exhibit scale effects as the business grows. Taking the health ecosystem as an example, we promote inclusive insurance through our proprietary platforms and ecosystem partners, centered around the million coverage medical insurance - Personal Clinic Policy Series. The intelligent underwriting, automatic adjustment, intelligent review and other capabilities allow users to enjoy a more convenient and efficient experience in the purchase and claim settlement process of health insurance. Meanwhile, the customer service and risk control processes that originally required huge investment in labor costs are gradually being replaced by algorithm-based models that utilize big data and artificial intelligence.

In the customer service process, our IVR (Interactive Voice Response) intelligent navigation rate reached approximately 97.4%, with an improvement by 108% in the operational efficiency. In other words, relying on the improvement of the technology, the Company achieved cost savings of approximately RMB100 million.

Through the platform developed by our incubator "Nova Technology", we have connected with the regional medical information platforms of 16 provinces and cities (covering 60% of the top 10 provinces in terms of sales of the health ecosystem). Accompanied by more than approximately 5.5 million pieces of medical knowledge stored in the platform and with our customers' authorization, we achieved direct online connection with medical information databases, which not only effectively enhances our intelligent risk control capabilities and efficiency by conducting risk identification in the underwriting and claim management process, but also immensely improves our customers claim settlement experience. For customers of the hospitals directly connected with ZhongAn, claim settlement can be completed by simply clicking on the case under the "claim settlement" page in the APP without providing any paper documents. 90% of users can apply for claim settlement online with automatic adjustment rate reaching 90%, and the claims can be paid as soon as in seconds.

In 2020, we further deeply integrated the application of blockchain with insurance and we started cooperation with China Construction Bank on the application of e-CNY in insurance online scenarios. Some pilot users can use e-CNY to purchase Personal Clinic Policy (2020 edition) through ZhongAn Insurance APP. With the successful issuance of the first e-CNY insurance policy, we have also successfully extended the application of e-CNY to the insurance field.

Technology export

With respect to technology export, COVID-19 has brought more market opportunities to digital transformation of the industry, ZhongAn is still committed to being the best partner for insurance companies in digital transformation.

We continue to focus on the Insuretech field, exporting our advanced Insuretech experience and technology strengths to domestic and international customers (including insurance companies and Internet platforms) who intend to expand into the digital insurance sector, to facilitate the digital transformation throughout the insurance industry. Specifically, we develop core digital insurance systems and scenario-based solutions for insurance companies, and collaborate with Internet platforms to develop online ecosystem-oriented insurance solutions. Our revenue comprises of licensing fees, technology service fees and other charges using a SaaS model (for instance, as a percentage of income or usage).

Therefore, our technology export business will benefit from the growth of our customers' insurance businesses, achieving sustainable revenue growth that is aligned with the long-term interests of our customers.

In 2020, under the effect of COVID-19, the global insurance industry's demand for digital transformation has been further stimulated, and companies in the insurance industry chain also actively conducted online transformation to respond to users' demands. Meanwhile, regulatory policies have accelerated the process of digital transformation of the industry, which further creates a new situation for the Insuretech market.

We have developed mature Insuretech products and solutions, which facilitated the digital transformation of insurance industry players throughout operations (entirely digital process), technology (new digital infrastructure), data (in-depth insight into users to empower refined operation) and organization (online and professional training of insurance practitioners).

In 2020, we recorded revenue from technology export of approximately RMB365.1 million, representing a year-on-year increase of approximately 35.4%. As of December 31, 2020, we have served a total of 75 customers in the insurance industry chain, a net increase of 39 from last year. In the domestic market, our customer base has further expanded to industry-leading companies including Tai Ping Group, CPIC Group, AIA China, Manulife-Sinochem and HSBC Life, etc.. Our international customers include Sompo (Japan), NTUC Income (Singapore) and other well-known local leading enterprises. Approximately 75% of our existing insurance system product customers purchased additional insurance system modules from us or upgraded their existing modules in 2020, which reflected our products' long-term value to the customers' business.

In early 2021, we reached a cooperation with Taiping General Insurance, a leading insurance company in China, for our business production series products to help it build a new generation of core system of accident and health insurance. In 2020, our business growth series have assisted more than 10 customers including Tai Ping Life, AIA Life Insurance, Manulife-Sinochem, HSBC Life Insurance and ABC Life in building a one-stop-shop digital insurance marketing platform to realize the closed-loop whole process of scenario-based intelligent marketing based on digitalization, Internet and intelligence. Our visual backtracking solution for online insurance sales quickly responded to new regulations on Internet insurance sales. A total of 42 companies in the insurance industry chain have contracted with us in a short period, of which 34 were new customers who contracted with us for the first time.

Our strategic positioning is not only a cutting-edge technology service provider, we also export and replicate our leading business models to both domestic and international insurance industry, and join our customers in exploring business model and product innovation in the Internet ecosystem.

In 2020, our technology export business has also achieved fruitful development in overseas markets. Relying on cutting-edge technology solutions, extensive industry knowledge and accumulated experience in Asia, we have assisted more partners in business digitalization. We further expanded our market in Japan. Following Sompo, we have also expanded our services to more leading life insurance companies and Internet insurance platforms in the Japanese market. Through our next-generation cloud-based decentralized core insurance system (i.e. Graphene), our customers have launched in the local area with various ecosystem partners a number of individual and scenario-based insurance coverage products.

In 2020, our cooperation with Grab has been further expanded to Indonesia, where we have launched usage-based property insurance products for freight to cover the risk of damage during express delivery on Grab Express. The Grab ecosystem has generated over 70 million policies with the support of our insurance and technology strengths.

We have become a regional technology partner with AIA Group, the largest independently listed life insurance group in the Pan-Asian region, which would help AIA to speed up digitalization and further reach new customers, and meet the users' protection needs by providing innovative insurance products and connecting partners.

Management Discussion and Analysis

ZA Bank, as the first licensed virtual bank in operations in Hong Kong, has leading advantages in the virtual banking industry in Hong Kong. As of December 31, 2020, ZA Bank has more than approximately 220 thousand users, has attracted over approximately HK$6 billion of personal savings, and used personal loans of approximately HK$650 million to meet users' financial demands.

This achievement is attributable to the fact that we have always put customer experience as the utmost priority and gained customer recognition: customers of ZA Bank can truly experience 24/7 banking services, and we started strategic cooperation with Visa, a leading company in global technology payment and launched ZA Card, the first Visa card with a custom card number, ZA Card adopts a "user participation" ideology and provides a personalized, smooth and secure mobile payment experience for users in the form of debit cards.

ZA Insure also adopts the product concept of creating "insurance that everyone can afford", providing simple, convenient and seamless experience and insurance products with affordable prices through a 24/7 online platform. To date, ZA Insure has launched four protection related insurance products in response to customer needs - life insurance, cancer insurance, cardiovascular disease insurance and individual accident insurance, providing term life, cancer and cardiovascular disease and accident coverage respectively. In 2020, the newly-acquired underwritten insurance policies of ZA Insure increased by approximately 35% month-by-month, and the average insured amount for each policyholder was up to approximately HK$1.8 million.

As the only technology company in Hong Kong with both a virtual banking license and a digital-only insurer license, ZhongAn International leads ZA Bank and ZA Insure to achieve synergies and create more value for users' future digital wealth management by sharing technology strengths and cost advantages.

Segment Financial Highlights

The following table sets forth the profit/(loss) from each business segment in 2020. Specifically, the insurance segment offers a wide range of online property and casualty insurance business, the technology segment provides information technology export related business to its clients, the banking segment provides virtual banking services to its customers in Hong Kong, and the other segments include entities other than the aforesaid segments, which provide online life insurance business, insurance brokerage, bio technology services and etc. Among them, both ZA Bank and ZA Life officially opened for business in 2020.

Segment income statement for the year ended December 31, 2020

RMB'000	Insurance	Technology	Banking	Others	Eliminations	Total
Gross written premiums	16,709,376	—	—	2,607	(3,479)	16,708,504
Net premiums earned	16,216,663	—	—	2,020	(3,479)	16,215,204
Other income	111,878	377,618	67,802	271,209	(52,529)	775,978
Net profit/(loss)	993,107	(367,861)	(301,508)	(139,132)	69,774	254,380
Attributable to:						
– Owners of the parent						553,786

Segment income statement for the year ended December 31, 2019

RMB'000	Insurance	Technology	Banking	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	—	74,898	(41,165)	376,831
Net profit/(loss)	7,601	(334,347)	(161,982)	(169,131)	19,214	(638,645)
Attributable to:						
– Owners of the parent						(454,101)

Our Ecosystems

The following table sets forth GWP in absolute amounts and as percentages of total GWP by ecosystem in 2020 and 2019:

	2020		2019		
Ecosystems	RMB'000	Percentage %	RMB'000	Percentage %	Year-on-year growth rate %
Health	6,604,296	40%	4,806,042	33%	37.4%
Digital lifestyle	6,298,583	38%	5,031,865	34%	25.2%
Consumer finance	2,161,809	13%	3,090,982	21%	-30.1%
Auto	1,328,248	8%	1,263,719	9%	5.1%
Others	312,961	1%	436,981	3%	-28.4%
Total	16,705,897	100%	14,629,589	100%	14.2%

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 in 2020 and 2019:

Ecosystems Data

	2020	2019
Ecosystems	RMB'000	RMB'000
Health		
GWP	6,604,296	4,806,042
Net written premiums	6,287,278	4,590,176
Premiums earned	6,303,263	3,173,400
Loss ratio%	41.8%	53.0%
Channel fees as a percentage of net written premiums%	26.9%	20.8%

Management Discussion and Analysis

Ecosystems	2020 RMB'000	2019 RMB'000
Digital lifestyle		
GWP	6,298,583	5,031,865
Net written premiums	6,271,212	5,024,130
Premiums earned	5,957,077	4,997,894
Loss ratio%	62.0%	58.0%
Channel fees as a percentage of net written premiums%	32.6%	35.8%
Consumer finance		
GWP	2,161,809	3,090,982
Net written premiums	1,989,708	3,090,982
Premiums earned	2,598,904	2,888,227
Loss ratio%	63.3%	97.0%
Channel fees as a percentage of net written premiums%	10.4%	12.0%
Auto		
GWP	1,328,248	1,263,719
Net written premiums	1,328,248	1,263,719
Premiums earned	1,111,729	1,298,115
Loss ratio%	55.7%	54.7%
Channel fees as a percentage of net written premiums%	22.6%	25.7%
Others		
GWP	312,961	436,981
Net written premiums	307,356	426,433
Premiums earned	242,212	443,816
Loss ratio%	75.6%	119.6%
Channel fees as a percentage of net written premiums%	17.0%	23.7%

Health ecosystem:

Since providing the health ecosystem in 2016, ZhongAn has always put into practice the philosophy of health inclusion and has focused on customer demands for healthcare services and provided them with an one-stop-shop experience of "insurance coverage + medical services" through a closed-loop health ecosystem. Customers can enjoy accessible, understandable, and affordable health coverage and medical services. We strive to satisfy individual needs of different customers with the deep integration of "insurance coverage + medical services" and have established our distinctive competitive advantage.

According to the Frost & Sullivan Report, the health and wellness industry that ZhongAn has been exploring reached a market size of RMB9 trillion in 2020, and was expected to remain a CAGR of over 10% and record a market size of RMB14.8 trillion in 2025, among which the commercial health insurance will thrive and grow in the fastest way. According to the white paper on industry development of million coverage medical insurance in China (中國百萬醫療險行業發展白皮書) published by iResearch, the commercial health insurance will remain a CAGR of 20% in the future 5 years and is projected to record a market volume of RMB2 trillion in 2025, playing more roles in the overall healthcare expenditure system in China. As a showpiece of million coverage medical insurance as well as the payment end of medical services industry chain, the mid-end health insurance can effectively integrate relevant value of healthcare services. Especially in the planning, product design and innovation of healthcare services, it has a relatively strong leading position and integration capabilities. The demand for mid-end personal health insurance will continuously grow as a result of increasing healthcare insurance awareness of residents. Representing million coverage medical insurance, the mid-end health insurance will give a greater influence and maintain a growth rate higher than that of the commercial health insurance and is expected to breakthrough RMB0.2 trillion.

With the gradual manifestation of users' medical service needs, high-quality customer service has become our most differentiating competitive strategy.

For the health ecosystem, we have long provided service that is million coverage medical insurance -- Personal Clinic Policy (尊享e生) -centric. From its inception to today, Personal Clinic Policy has upgraded 19 times, included more value-added services and medical services catering to customers' entire life cycle in accordance with users' increasingly diversified need for medical service.

In 2020, strategic upgrades have been made to our health ecosystem, including the integration of the internet medical services and health insurance products, rollout of product of Personal Clinic Policy that provides outpatient and emergency medical service, incorporating the outpatient service of ZhongAn Internet Hospital into insurance coverage and providing internet medical services through insurance to users, which represents our implementation of the ideology of "integration of insurance coverage and medical services".

Personal Clinic Policy Series products are not only insurance coverage products, but also our entry point to establish closed-loop medical service ecosystems. Through the network of health insurance, ZhongAn Internet Hospital, Nova Technology and so on, we established a closed-loop ecosystem to provide an one-stop-shop solution that is insurance-centric, integrating disease prevention, health management, medical consulting and medical information to assist customers in managing their health more efficiently and conveniently and ultimately achieving health goals. Our offerings cover various medical services needed under different health conditions throughout users' life cycle and strive to enhance service experience and user loyalty.

In 2020, we further diversified the product matrix of the health ecosystem, rolling out series such as cancer medical insurance -- Inclusive Policy (普惠e生) and multi-pay critical illness insurance products. On this basis, we extended insurance coverage to the population with chronic diseases and sub-health status, and brought more people under insurance coverage.

In 2020, the health ecosystem service provided health insurance and medical services to approximately 23.90 million users and recorded approximately RMB6,604.3 million in GWP, representing an increase of approximately 37.4% as compared to that of the corresponding period of last year. The increase was attribute to our continuous efforts in enhancing users' insurance awareness, actively providing medical services to create a closed-loop ecosystem, and providing users with personalized and customized insurance products and services at the same time. In 2020, the individual health insurance recorded approximately RMB6,512.0 million in GWP, representing a year-on-year growth of approximately 41.0% and accounting for approximately 99% of GWP of the health ecosystem. The users of these products were at an average age of around 35.

More importantly, by leveraging on various new scenario platforms, we reached users and carried out market education in an innovative way, so as to continuously enhance users' insurance awareness and their needs for medical services, and promote rapid growth in the transaction volume of our proprietary platforms. In 2020, the premium derived from our proprietary platforms accounted for approximately 32% of that generated from the health ecosystem (2019: approximately 23%), with the amount of such premium being approximately 1.9 times that of 2019.

Management Discussion and Analysis

At the end of October 2020, we launched "ZhongAn Medical Manager"-family doctor services, providing our health insurances users with 24/7 online medical consulting, electronic prescription and medicine delivery services through over 2,000 doctors.

The closed-loop health ecosystem witnessed remarkable achievements in deepening construction. The per capita revenue contribution of individual health insurance products increased from RMB241 in 2017 to RMB453 in 2020, representing a CAGR of approximately 23.4%.

On the level of operating indicators, the loss ratio of the health ecosystem in 2020 was approximately 41.8%, with a year-on-year decrease of approximately 11.2 percentage points. The improvement of the loss ratio partly resulted from the optimization of the product structure, and that greater focus was placed on personal business that had higher user value and the reduction of health group insurance business that produced higher loss ratio at the same time since 2019, as well as the significant decrease in the proportion of the group insurance business to the health ecosystem business in 2019. On the other hand, we further enhanced big data risk control in the process of claim settlement and insurance through technology such as Nova, achieving the effect of loss deduction and compensation control.

The channel fee ratios of the health ecosystem in 2020 was approximately 26.9%, representing a year-on-year increase of approximately 6.1 percentage points, remaining the consistent trend with increasing cost of acquiring uses in industry.

In the future, we will continue cultivating the closed-loop services of insurance, online medical and medicine services, connecting with an asset-light model cooperating with more external institutions, rolling out more innovative products to cover bigger population, creating more value for users and making more efforts in health inclusion.

Digital lifestyle ecosystem

We provide customized protection services aiming at the consumers in certain internet scenarios, including risk protection covering scenarios such as product return, product quality, logistics, post-sale services and merchant security deposits for e-commerce platforms, and travel risk insurance to tourists and business travelers for unexpected emergencies such as flight accidents, flight delays, through online tourism and travel platforms, travel accidents, and flight or hotel cancellations, covering all OTA channels in China, including Ctrip, Tongcheng, Fliggy and Qunar.

In the context of the pandemic in 2020, the mobile internet further changed people's life with digitalization penetrating into more scenarios of users' lives. We also further made use of our advantage of data analysis, keeping in step with users, further diversifying our product matrix, and catering for scenarios in the customer's digital life in a better way.

With the advent of the 5G era, there was once again a potential emergency of fresh demand for phones in the mobile phone market. Aiming at user needs, we launched an innovative screen crack insurance for mobile phone through taking photos, covering mainstream mobile phone manufacturers in the market. Based on big data risk control capabilities and differentiated pricing, we experienced product upgrades and innovation, solved the pain points of the industry, and served millions of users in 2020.

In 2019, the number of pets in China exceeded approximately 99 million, and the pet market size reached approximately 220 billion. It is expected to achieve a growth of more than 20% in the next three years. The penetration rate of pet insurance is only 1%. The pet insurance market ushered in an opportunity for vigorous growth, as a result of the increase of pet's status in family and that in people's willingness to pay for pet. After a year of exploration and the technical development of nose pattern recognition, we provided millions of pet owners with per insurance, and promoted pet smart management and pet retrieval services in cooperation with Hangzhou Municipal Government and Shaoxing Municipal Government at the same time.

In 2020, the income proportion of innovative business including pet insurance, photo-taking insurance and accident insurance increased from 4% in 2019 to 16% in 2020, which drives the growth of the premium of digital lifestyle ecosystem by approximately 25.2% to approximately RMB6,298.6 million.

Thanks to the continuous upgrades of a diversified product matrix, the per capita premium contribution of the digital lifestyle ecosystem increased from approximately RMB7.8 in 2017 to approximately RMB12.7 in 2020, representing CAGR of approximately 17.5%.

In 2020, the loss ratio of the digital lifestyle ecosystem was approximately 62.0%, representing a year-on-year increase of approximately 4.0 percentage points. Meanwhile, the channel fee rate was approximately 32.6%, representing a year-on-year decrease of approximately 3.2 percentage points, which was mainly attributable to a deep retrenchment in the air travel business, which produced a relatively low loss ratio and relatively high channel fee rate, due to the impact of the epidemic.

In the future, aiming to cover a wider range of user's need in the internet scenarios, we will continue to explore upgrades and innovation under digital lifestyle scenarios by deepening cooperation and improving the quality of the underwriting process, so as to identify any unsolved pain points and provide comprehensive insurance solutions.

Consumer finance ecosystem:

Through cooperation with licensed financial institutions and by connecting with different kinds of Internet platforms via our cutting-edge technology, risk control, data and other technology strengths, we are committed to provide customers with consumer finance products with credit guarantee, and have developed leading technologies, big data risk control, as well as fund and asset matching capacities in the consumer finance ecosystem. We have proactively expanded our cooperation with various Internet scenario-based platforms, such as Bestpay, IQIYI and Secoo under telecommunication scenarios, video scenarios and e-commerce scenarios. We have also provided consumer finance solutions to selected leading Internet finance platforms, such as Lexin and Mashang Consumer Finance and X Financial by joint risk control and joint scenario-based operations. The fund lenders that we cooperate with are licensed financial institutions.

In 2020, due to COVID-19 and fluid international dynamics, the macro economy faced unprecedented challenges, heightening risks of the consumer finance industry. In response, we proactively raised our risk control standards, implemented strict control mechanisms over the performance of the underlying assets, and continuously scaled down our scale of business. In particular, we raised the entry barrier for cooperation with online financial platforms and focused on first-tier online finance platforms. Meanwhile, we continued to explore online scenario-based platform business, such as cooperating with the three major telecommunication operators in communication scenarios and with Secoo in e-commerce scenarios. In addition, we also actively sought cooperation with reinsurance companise to further reduce risks. Thanks to these tightened risk control strategies and adjustments to business strategies, the loss ratio of the consumer finance ecosystem in 2020 decreased to approximately 63.3%, representing a year-on-year decrease of approximately 33.7 percentage points, out-performing the sector as a whole.

We focused on small-sized, spread-out and short-term Internet consumer finance assets. We set insurance premium rates based on individual risk profile of the underlying assets and provided coverage with our credit guarantee insurance products. Our risk control system penetrates through the underlying assets, and we implement real-time big data risk control on every individual borrowing by connecting the systems of our partners' platforms with financial institutions, thereby enabling us to make real-time lending decisions. In order to cope with macro-economic risks, namely the impact of overall slowdown in the economy on borrowers' default risks, we integrated external macro-economy monitoring signals with in-house credit insurance risk management strategies in a dynamic manner, and implemented a wide range of retail finance risk measurement models to apply differentiated credit insurance management approaches to different customer groups based on the characteristics of the economic cycle and customers' life cycle, to mitigate the negative impact of fluctuations in the economy on our credit risk.

In 2020, the coverage term of insurance policies in our consumer finance ecosystem was one year or less, and the amount of a single borrowing by users of the consumer finance ecosystem was less than RMB6,000.

Our targeted customers of the consumer finance ecosystem are the young near-prime group in China, typically aged between 25 and 35 with quality education and strong consumption demands.

In 2020, both GWP and outstanding loan balance amount in the consumer finance ecosystem decreased year-on-year. In 2020, our consumer finance ecosystem recorded approximately RMB2,161.8 million in GWP, representing a decrease of approximately 30.1% as compared with the corresponding period of last year, and provided services to approximately 1.4 million users. As of December 31, 2020, the outstanding loan balance amount of the consumer finance ecosystem was approximately RMB16.1 billion, representing a decrease of approximately 37.2% as compared with the end of 2019 (as of December 31, 2019: approximately RMB25.6 billion).

The channel fee ratio of the consumer finance ecosystem for the period was approximately 10.4%, representing a year-on-year decrease of approximately 1.6 percentage points, which was due to the decrease in marketing expenses incurred in acquiring customers as a result of downscaling.

Auto ecosystem:

With the launch of the "Baobiao Auto Insurance" product, we offer professional auto insurance products and solutions as well as value-added services to protect our customers against vehicle damage, personal injury and death, as well as vehicle theft and robbery. Based on the coinsurance model jointly developed with Ping An P&C adopted by the "Baobiao Auto Insurance", we connect with Internet platforms and automotive aftermarket service channels by leveraging our technology strengths to acquire customers, while Ping An P&C relies on its offline claim network to provide quality claim settlement services to users. Since January 2020, we began to implement the renewed coinsurance agreement with Ping An P&C, valid from January 1, 2020 to December 31, 2022. The cooperation framework largely remains unchanged. The premiums, claim payments and other costs for auto insurance shared between ZhongAn and Ping An P&C will still be split by a 50%:50% ratio.

In 2020, new auto sales dropped due to the macroeconomic pressure and the impact of the COVID-19 pandemic. Meanwhile, the auto insurance industry's premium per policy declined under the auto insurance pricing reform's principle of benefiting consumers. Despite of this, our auto ecosystem recorded a year-on-year growth of approximately 5.1% in GWP to approximately RMB1,328.2 million in 2020, with approximately 1.31 million insured users for the period. Our customers were mainly male clients aged 30 to 35 in first-, second- and third-tier cities.

Management Discussion and Analysis

Our major ecosystem partners include Internet platforms and automotive aftermarket service channels. Regarding cooperation with Internet platforms, we built up a great quantity of user insights and Internet operating capabilities by continuing to enhance cooperation with all kinds of ecosystem partners. 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.

Our video claim settlement service helps to improve customer experience and process efficiency by integrating various technologies such as the Optical Character Recognition (OCR) and AI damage assessment. Especially during the COVID-19 period, video claim settlement services for auto insurance played an integral role to provide "contactless service", which was highly praised by customers.

We adhered to our steady development strategy for the auto insurance segment in 2020 and optimized the underwriting quality of our existing business through refined operations. The loss ratio of the auto ecosystem in 2020 was approximately 55.7%, up by approximately 1.0 percentage points on a year-on-year basis. Meanwhile, the channel fee rate decreased by approximately 3.1 percentage points on a year-on-year basis to approximately 22.6%, which is in line with the consistent trend of industry. Under the auto pricing reform driven by regulatory efforts, auto insurance's market order was further improved with a decrease of expense ratio in the industry and an increase of loss ratio.

In the future, we will continue to capture reforming opportunities for the industry brought by auto insurance's comprehensive pricing reform, leveraging our own advantages of data extraction and technology-empowered development to proactively develop sectors such as new energy vehicles, Internet of Vehicles and UBI innovative auto insurance, with an aim to enhance customers' satisfaction on ZhongAn auto insurance and meet their diversified need for products.

R&D Investments

We continue to focus on the development of cutting-edge technology sectors including artificial intelligence, blockchain, cloud computing, big data and life science, aiming to reshape every stage throughout the insurance value chain with technology.

In 2020, ZhongAn invested approximately RMB904.7 million in research and development activities, accounting for approximately 5.4% of the Company's GWP. As of December 31, 2020, ZhongAn had a total of 1,426 engineers and technicians, representing approximately 47% of our total employees.

As of December 31, 2020, we have accumulatively filed applications for 503 patents, including applications for 174 overseas patents, among which, 30 applications were filed in 2020, including applications for 8 overseas patents. In addition, we have 34 PCT (Patent Cooperation Treaty) patent applications in total covering 11 countries and regions. In 2020, there were 28 new licenses, including licenses for 7 overseas patents, representing a year-on-year increase of approximately 75% in the number of licenses.

As our cloud-based distributed core system "Wujieshan" is able to support a great number of individual policies, we issued a total of approximately 7.949 billion policies in 2020 and provided services to approximately 524 million users.

This year, after our long-time investment and research and development, brand-new breakthroughs were also made in blockchain area on the fronts of production, education and research. In 2020, the "Information Technology – Blockchain and Distributed Ledger Technology – Smart Contract Implementing Specification" (《信息技術區塊鏈和分布式記帳技術智能合約實施規範》) formulated by, among others, ZhongAn Technology which has played a leading role, was approved by Blockchain National Standard Proposal Approval.

In 2020, we further deepened the integration between the application of blockchain and insurance. We cooperated with China Construction Bank to apply e-CNY to online insurance scenario to enable certain pilot users to purchase Personal Clinic Policy (尊享e生) (2020 version) by e-CNY through ZhongAn Insurance APP. The issuance of our first e-CNY policy also represents our success in extending the application of e-CNY to insurance sector. In the future, we will also from time to time provide premium payment service by e-CNY for our main products, and conduct research and cooperation in the scenario application of e-CNY in insurance sector.

Technology Export

We continued to focus on the Insuretech segment, developing and exporting our advanced experience and technology strengths in the Insuretech industry to domestic and international customers who intend to expand into the digital insurance sector, to facilitate digital transformation throughout the insurance industry. We developed core digital insurance systems and scenario-based solutions for consumers from insurance industry, and joined hands with Internet platforms to develop Internet ecosystem-oriented insurance solutions. Our revenue comprises of software licensing fees, technology service fees and other charges under a SaaS model (for instance, as a percentage of income or usage).

Our strategic positioning is not only a cutting-edge technology service provider, we also export and replicate our leading business models to both domestic and international insurance industry, and join our customers in exploring business model and product innovation in the Internet ecosystem. Our technology export business will therefore benefit from the growth of our customers' insurance businesses, achieving sustainable revenue growth that is aligned with the long-term interests of our customers.

We have developed mature Insuretech products and solutions covering comprehensive demands in each stage of the digital transformation of the insurance industry throughout operations (entirely digital process), technology (digital new infrastructure), data (in-depth insight into users to empower refined operation), and organizational management (online and professional training of insurance practitioners).

Our existing Insuretech product lines mainly fall into three series, namely, the business growth series, the business production series, and the business infrastructure series, covering the entire business processes of the insurance industry.

1) Business growth series

Business growth series include the X-Man intelligent marketing platform and the X-Magnet advertising operation platform, mainly helping customers to build a sustainable marketing closed-loop to drive rapid user and revenue growth with one-stop-shop services. The traditional insurance industry has several deficiencies in marketing such as limited formats of promotional activities, obscure user profiles or user insights, lack of in-depth analysis on the marketing results and potential data security risks. With our intelligent marketing platform and advertising operation platform and based on big data exploration and analytics, our solutions help to efficiently target users and embrace various marketing scenarios and approaches, to drive growth for insurance industry participants with data analytics through integration of "data + scenario + intelligent technology". We also help companies to build effective customer acquisition channels, continuously optimize customer acquisition costs, and establish sustainable and closed-loop user growth models to achieve rapid user and income growth.

2) Business production series

Business production series include products of cloud-based distributed core systems, business and data middle offices and various business application platforms. Owing to the middle office system, one of the insurance products developed by the Company, there is no need for the insurance companies to replace their core system. The solutions empower the front office with digital middle office via shared services, enabling customers to respond to the big data, high flow and high-concurrent online business scenarios so as to support the clients to engage in online insurance business in a prompt manner. In addition, the solutions provide a microservices-based structure with flexible scalability which could enhance business scalability of customers by connecting all business segments, breaking down the isolation of information and focusing on whole-process digital management of users. Connecting to over 1,000 channels, the solutions enable a lead time for product launch as short as one to three days and as well as insurance of up to 32,000 policies per second.

3) Business Infrastructure Series

Operating with security and stability, business infrastructure series supports high-concurrency and elastic computation of underlying infrastructure scheme, including blockchain, information security and DevOps research and development efficiency system, which does help to dealing with high-frequency under the context of Internet and provides stable and safe support for the customers in their pursuit for rapid business development. Allowing customers to daily publish for over 300 times online, it maintains daily data volume of more than 10 million and manages over 8,000 databases simultaneously. The availability of business system reaches over 99.99%.

In 2020, we recorded revenue from technology export of approximately RMB365.1 million, representing a year-on-year increase of approximately 35.4%. As of December 31, 2020, we served a total of 75 customers in the insurance industrial chain, representing an increase of 39 as compared to the previous year. Our customers in domestic market were further expanded to industry-leading companies including Taiping Group, CPIC Group, AIA Life, Manulife-Sinochem and HSBC Life. Approximately 75% of our existing insurance system product customers purchased additional insurance system modules from us or upgraded their existing modules in 2020, which showed the long-term value of our products to customers' businesses.

Management Discussion and Analysis

The new increase of customers of technology export business and rapid growth of income are attributable to:

1) The pandemic accelerated the urgent demand for digital transformation of the industry, while our proven technology can assist customers in the business transformation

In 2020, the pandemic hindered the offline exhibition of traditional companies, while consumers' demand for purchasing insurance online was stimulated, which brought more urgent demand for online business transformation of traditional companies. The transformation of traditional companies resulted from the pandemic includes not only docking of online sales of products and Internet platform, but also implementing the online business transformation of agent model.

In this year, we entered into cooperation with Taiping General Insurance (a domestic leading insurance company) for our business production series products, to assist it in constructing new generation of core system of accident and health insurance, building digital operation ability, optimizing operation process, overall supporting various types of business models and improving workforce efficiency. By adopting open and distributed technical framework, we realized platformization, componentization and engineization of structure and improved time efficiency of development and operation and maintenance of system, to meet challenges resulting from high-concurrency, high-frequency and individual transactions under the context of mobile Internet and help Taiping General Insurance build an authentic sensitive-state IT and realize technology empowerment.

Our business growth series helped more than 10 customers including Taiping Life, AIA Life, Manulife-Sinochem, HSBC Life, ABC Life construct one-stop-shop digital insurance marketing platform and realize a digital, online and intelligent entire closed-loop of scenario-based intelligent marketing. By constructing effective marketing activity tools and digital operation system, we assisted operators in realizing comprehensive management of user entire life cycle, improve customer loyalty and platform activeness. Also, we conducted refined operation by personalized targeted recommendation, to realize improvement of both efficiency and result and maximized value of platform operation.

2) Regulatory policies accelerated transformation process of industry digitalization

With the explosive growth of the Internet insurance industry, corresponding regulatory policies are also becoming tighter. In this year, the CBIRC issued the "Notice on Regulating the Traceable Management of Online Insurance Sales", requiring sales of online insurance to be recorded and cataloged to make it available for inspection and put forward stricter requirement on sales of online insurance. We immediately launched a self-developed visual backtracking product of internet sales behavior to the market. The system utilizes cutting-edge technologies such as visualized data restoration, data arrangement, container engine, and fault-tolerant algorithms to achieve accurate visualized restoration of user behavior on the Internet. It enables the completion of docking within existing business systems in as fast as 3 days, it can also automatically analyze related insurance policies based on the video to quickly search for important information, thus achieving a high degree of automatic integration within the business. The solution has been verified internally by ZhongAn, covering more than 300 online insurance sales scenarios. We closely followed market opportunities and signed contracts with 42 insurance industrial chain companies, 34 of which are customers that we signed contracts with for the first time.

The regulatory institutes also mentioned a goal that the online ratio of auto insurance, agricultural insurance, accident insurance, short-term health insurance, home property insurance and several other business segments should reach 80% or more in 2022, which will benefit our future market expansion and business growth in the long term. In the future, we will continue to explore potential market opportunities for compliance technology and help to address compliance deficiencies related to the traceability of sales behavior, data quality management, and anti-fraud during the online transformation of insurance companies. On the basis of this, we will further create long-term value for customers and support their digital transformation in various aspects such as business development, technology, data and organizational functions through intelligent marketing system, insurance middle office and other mature product series.

In 2020, our technology export business also achieved notable development in overseas markets. Through cutting-edge Insuretech solutions with standardization, integration of products and life insurance, high availability, high reliability and satisfaction of main demand of Internet insurance market, abundant industrial knowledge and experience accumulated in Asia, we helped more partners conduct transformation of business digitalization and renovative growth. We further developed our business in Japan, and also served more leading life insurance and online insurance platforms after signing contract with Sompo. Through our next-generation cloud-based decentralized core insurance system (i.e. Graphene), our customers have connected with various local ecosystem partners launching a variety of usage-based and scenario-based insurance coverage products. During the pandemic, we did effort to help partners respond the recovery plan of tourism "Go to Travel" published by Japanese government and provided risk protection services such as travel responsibility, cancellation of hotel reservation and extended warranty for households, which was spoken highly of customers and created 5,000 policies on December 12, 2020.

In Singapore, NTUC Income, the largest domestic comprehensive insurer, through our core insurance system (i.e. Graphene), established API connections with various local partners in catering, public transportation, food delivery and other sectors. NTUC Income launched a usage-based insurance package, which allows users to upsize their coverage based on their own needs. After signing up with this insurance package plan, NTUC Income will automatically deduct a small fee of less than S$1 every time the user completes a payment on the partner's platform, and increase the coverage on their accident, life and critical illness insurance according to the previous agreement with the user. When reducing the pressure of centralized payments made by consumers in the past, we continued to extend the term of insurance and further expand inclusiveness, empowering protection demand of social freelancers. This sales way of micro insurance, building an enormous form of issuing polices, connecting to consumers with a more convenient, easy and flexible way, covering various insurance demand and making insurance get closer to life, is spoken highly of the local young generation in practice.

Through GrabInsure, a joint venture company we have formed with Grab (a leading O2O platform in Southeast Asia), we further explore the online insurance distribution sector in Southeast Asia, and to offer an integrated insurance and finance solution. GrabInsure joins hands with insurance partners around the world to provide over 20 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 Grab's tens of millions of users in Southeast Asia by exporting sophisticated Insuretech solutions and advanced business models in China. In 2020, our cooperation with Grab has further expanded to Indonesia, where we have launched usage-based property insurance products for freight to cover the risk of damage during express delivery on Grab Express. During the pandemic, we provided all-round insurance services including risk protection of novel coronavirus liability, delivery delay and intra-city express and freight for different groups of persons such as operating driver, passenger, delivery person and express person of Grab, to promote resumption of work and production of local enterprises after pandemic. The Grab ecosystem has generated over 70 million policies with the support of our insurance and technology strengths.

In this year, we became a regional technology partner with AIA Group, the largest independent listed life insurance group in the Pan-Asian region, which would help AIA to speed up digitalization and further reach new customers, and meet the users' protection needs by providing innovative insurance products and connecting partners. The cooperation plan will be conducted in Malaysia at the beginning, ZA Tech will help AIA more rapidly develop and distribute scenario-based digital insurance products by utilizing professional technical knowledge and patent system "Graphene". Graphene system will be beneficial to AIA's effective connection with digital partners, allowing AIA to issue policies in real time to each customer group based on different living scenarios.

Furthermore, we also formed a joint venture company with BCP (PT Bumi Cakrawala Perkasa), a holding company of OVO (PT Visionet Internasional) (a leading e-wallet platform in Indonesia), to provide the proprietary Insuretech expertise and application developed by ZA Tech for insurance company in Indonesia, committed to launch innovative and affordable insurance products to promote inclusive finance of local market.

Management Discussion and Analysis

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 and Digital Insurance in Hong Kong

On March 24, 2020, our "Virtual Bank" (i.e. ZhongAn Bank) officially opened for business in Hong Kong, which aimed to create convenient, innovative and safe banking service and product experiences by "user participation" mode. On May 18, 2020, our "Full Digital Insurance" (i.e. ZA Insure) officially provided Hong Kong citizens with insurance products that "everyone can afford", which filled user's protection needs with price-inclusive insurance products. We hope to apply fintech capabilities and our insights into user behavior to Hong Kong's mature financial market to improve customer experiences and assist to implement the initiative of inclusive finance.

As the first licensed Virtual Bank in operations in Hong Kong, ZA Bank has leading advantages in Hong Kong's virtual banking industry. Customers of ZA Bank have attracted more than approximately 220,000 as of December 31, 2020. ZA Bank has attracted over approximately HK$6.0 billion of personal savings, and used personal loans of approximately HK$650 million to meet users' financial demands.

This achievement is attributable to the fact that we have always put customer experience as the utmost priority and gained customer recognition: customers of ZA Bank can truly experience 24/7 banking services encompassing account registration, deposit, transfer, make loans, debit card and other services by our one-stop-shop mobile APP. We do not have offline branches, and intelligentize parts of the front, middle and back office processes, handling the most labor-intensive and time-consuming processes at traditional banks at a lower marginal cost, thus, we can focus more on building ultimate customer experience. We entered into strategic cooperation with Visa, a leading company in global technology payment, to launch the first Visa card - ZA Card, which users can customize the card number. Upholding the ideology of "user participation", ZA Card provided customers with a personalized, smooth and secure mobile payment experience in the form of debit card.

ZA Insure adopts the product concept of creating "insurance that everyone can afford", providing simple, convenient and seamless experience and insurance products with affordable prices through a 24/7 online platform. To date, ZA Insure has launched four protection related insurance products in response to customer needs - life insurance, cancer insurance and cardiovascular disease insurance and individual accident insurance, providing customers with term life, cancer, cardiovascular disease coverage and individual accident insurance. In 2020, the newly-acquired underwritten insurance policies of ZA Insure increased by over approximately 35% month-by-month, and the average insured amount for each policy holder was higher than approximately HK$1.8 million.

As the only technology company in Hong Kong with both a virtual banking licence and a digital-only insurer license, ZhongAn International leads ZA Bank and ZA Insure in playing a synergistic effect, they work together to create more value for customers' future digital wealth management experience by sharing technical strengths and cost advantages. In January 2021, ZA Bank was granted an insurance agency license by the Hong Kong Insurance Authority and became an agent of ZA Insure. The insurance agency license allows ZA Bank to be the first virtual bank in Hong Kong to provide virtual insurance products in a short opening period of 10 months, creating a brand-new digital wealth management experience for customers.

Asset Management

As of December 31, 2020, we had total investment assets of insurance business of approximately RMB27,637.7 million, of which approximately 11%, approximately 31% and approximately 17% are comprised of stocks and equity mutual funds, fixed income investments, and other investments (wealth management products and trusts), respectively. Our total investment income of insurance business was approximately RMB1,206.7 million (2019: approximately RMB1,815.8 million), our total investment yield and net investment yield was approximately 5.7% and approximately 3.5% respectively (total investment yield and net investment yield for 2019: approximately 9.6% and approximately 5.0% respectively).

In 2020, under the backdrop of the COVID-19 pandemic, the global macro-economic situation was facing unprecedented challenges, and the capital market was becoming more volatile. In 2020, our asset management business always adhered to a sound and prudent investment philosophy. Based on the pre-judgement of the macro economy and risk/return of various of asset classes, we strengthened asset allocation management and risk management to seize investment opportunities in capital markets and continued to serve the needs of insurance fund investment management:

1) continuously 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. We focused on fixed income assets as the allocation basis, and flexibly adjusted the proportion of various assets based on our analysis of market dynamics. In addition, we continued to enhance our capability of investment in all product varieties;

2) making flexible adjustments to equity-related investments positions and styles, by actively implementing profit-taking strategies and style adjustments under the volatile market environment and making significant structural differentiation, obtaining a reasonable return; and

3) enhancing the overall risk management by implementing comprehensive control measures over market risk, credit risk, operational risk and liquidity risk throughout the entire process, to mitigate risk exposure to asset investments. We focused on strengthening credit risk screening and market risk hedging to maintain steady growth in investment income. As of December 31, 2020, about 99.8% of the credit bonds we invested in had an external rating of AA (domestic) and above, about 79.7% of domestic credit bonds had an external rating of AAA.

Looking forward into 2021, there are still a number of uncertainties in the macro environment, including global monetary policies and political landscape. We will still cautiously respond to changes in the market and adjust our asset allocation in a flexible manner, with an aim to secure stable investment income.

Outlook

In 2021, we will continue to adhere to the two-winged strategy of "Insurance + Technology". Adhering to the principle of "growth with quality", we will strengthen brand building and create long-term value for customers through ecosystem-oriented insurance protection service, and our proprietary platforms, and at the same time incorporate technology development and innovation into the whole insurance value chain and continuously optimize underwriting efficiency and user experience. In addition, we will commercialize our insurance technology strengths in domestic and overseas markets, empower all participants in the upstream and downstream of the entire insurance industry chain, to become the best partner in the digital transformation and upgrading of the global insurance industry.

Management Discussion and Analysis

FINANCIAL REVIEW

For the year ended December 31, 2020, we continued to take advantage of development opportunities in the PRC Insuretech market and achieved steady growth and improved profitability. We focused more on business quality and invested more on fine management and data-driven operations. For the year ended December 31, 2020, the Group's total income reached approximately RMB18,493.2 million, representing a year-on-year increase of approximately 22.3%.

The following table sets forth the comparative figures for the year ended December 31, 2020 and 2019, respectively:

	For the Year Ended December 31,	
	2020 RMB'000	2019 RMB'000
Total income	18,493,163	15,123,964
Net profit/(loss) for the year	254,380	(638,645)
Total comprehensive income/(loss) for the year	411,135	(680,929)
Earnings/(loss) per share		
– Basic (RMB yuan)	0.38	(0.31)
– Diluted (RMB yuan)	0.38	(0.31)

The following table sets forth our key financial ratios for the year ended December 31, 2020 and 2019, respectively :

	For the Year Ended December 31,	
	2020	2019
Group		
Return on assets(1)	1.4%	(1.6%)
Return on equity(2)	3.6%	(3.0%)
Gearing ratio(3)	61.9%	46.6%
Net investment yield(4)	3.0%	4.8%
Total investment yield(5)	5.3%	9.3%
Insurance business		
Net investment yield(4)	3.5%	5.0%
Total investment yield(5)	5.7%	9.6%

Notes:

(1) Return on assets equals profit/(loss) for the year attributable to owners of the parent divided by the average of the opening and closing balances of total assets of the period.

(2) Return on equity equals profit/(loss) for the year attributable to owners of the parent divided by the average of the opening and closing balances of total equity attributable to owners of the parent of the period.

(3) Gearing ratio is represented by total liabilities (excluding capital supplementary bonds and subordinated term debts) divided by total assets.

(4) Net investment yield equals the sum of net interest income, dividend income and share of net profit/(loss) 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. Among which, the net interest income and the closing balance of total investment assets of the period have excluded the impact of USD Notes issuance.

(5) 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/(loss) 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. Among which, the net investment income and the closing balance of total investment assets of the period have excluded the impact of USD Notes issuance.

UNDERWRITING BUSINESS

The following table sets forth the selected financial data of the underwriting business of the Group (excluding life insurance) and their percentages to net premiums earned for the relevant periods:

	For the Year Ended December 31,			
	2020 RMB'000	%	2019 RMB'000	%
Net premiums earned	16,213,185	100.0	12,801,451	100.0
Net claims incurred	8,772,703	54.1	8,624,689	67.4
Insurance operating expenses	7,848,617	48.4	5,875,611	45.9
Underwriting loss	(408,135)	(2.5)	(1,698,849)	(13.3)

	For the Year Ended December 31,	
	2020	2019
Retention ratio[(1)]	96.9%	98.4%
Loss ratio[(2)]	54.1%	67.4%
Expense ratio[(3)]	48.4%	45.9%
Combined ratio[(4)]	102.5%	113.3%

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.

Management Discussion and Analysis

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 14.2% from approximately RMB14,629.6 million for the year ended December 31, 2019 to approximately RMB16,705.9 million for the year ended December 31, 2020. We continued to optimize our product structure in order to fulfill high-quality growth. Benefiting from deep cooperation with our business partners and rapid development of our proprietary platforms, we achieved steady growth in health insurance and shipping return insurance. Simultaneously, GWP for bond and credit insurance as a whole decreased as a result of our strategy to control the credit risk.

A breakdown of the GWP by insurance product types for the years indicated is shown below:

	For the Year Ended December 31,		
	2020 RMB'000	2019 RMB'000	(% of change)
Health insurance	6,426,446	4,634,895	38.7%
Accident insurance	1,886,880	1,797,615	5.0%
Bond insurance	1,839,208	2,938,766	-37.4%
Motor insurance	1,328,248	1,263,723	5.1%
Credit insurance	638,181	440,297	44.9%
Household property insurance	256,922	49,963	414.2%
Cargo insurance	198,436	203,444	-2.5%
Liability insurance	117,134	137,129	-14.6%
Others[1]	4,014,442	3,163,757	26.9%
Of which:			
Shipping return insurance	3,834,418	3,072,572	24.8%
Total	16,705,897	14,629,589	14.2%

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 increased from approximately RMB234.1 million for the year ended December 31, 2019 to approximately RMB522.1 million for the year ended December 31, 2020, of which the ceded premiums of health insurance increased by approximately RMB110.4 million and the ceded premiums of credit insurance amounted to approximately RMB172.1 million.

The Company continued to carry out a stable ceding policy for the year ended December 31, 2020. 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 Peak Reinsurance Company Limited and The People's Insurance Company of China (Hong Kong), Ltd.

3. **Net premiums earned**

Net premiums earned represent net written premiums less net change in unearned premium reserves. As a result of the increase in GWP, net premiums earned increased by approximately 26.7% from approximately RMB12,801.5 million for the year ended December 31, 2019 to approximately RMB16,213.2 million for the year ended December 31, 2020.

4. **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 1.7% from RMB8,624.7 million for the year ended December 31, 2019 to RMB8,772.7 million for the year ended December 31, 2020, among which net claims for bond and credit insurance decreased by approximately RMB1,164.2 million, and net claims for health and other insurance rose by approximately RMB1,032.7 million and RMB600.4 million, respectively.

5. **Handling charges and commissions**

Handling charges and commissions represent fees paid to insurance agents for the distribution of our policies less reinsurance expenses recovered. Handling charges and commissions increased by approximately 54.6% from RMB909.9 million for the year ended December 31, 2019 to RMB1,406.9 million for the year ended December 31, 2020, primarily due to the increase in handling charges and commission rate of the health ecosystem, which is in line with the consistent trend with increasing cost of acquiring users in industry.

6. **General and administrative expenses**

General and administrative expenses primarily include consulting fees and technical fees paid to our ecosystem partners, employee benefit expenses, 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 amounted to approximately RMB6,572.3 million for the year ended December 31, 2020, representing a year-on-year increase of approximately 29.8%, primarily due to our promotional and branding activities in some key media platforms leading to the increase in advertising and marketing expense by approximately RMB1,143.1 million.

Management Discussion and Analysis

INVESTMENT BUSINESS

In 2020, the Group's investing activities mainly consisted of (i) equity investment; (ii) proprietary trading of bond, investment fund and other asset management products; and (iii) entrustment of third-party asset management companies for purchase of stock, bonds and other asset management products.

7. Composition of investment assets

We 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:

	As of December 31, 2020		As of December 31, 2019	
	Balance RMB'000	Percentage %	Balance RMB'000	Percentage %
By category:				
Cash and amounts due from banks and other financial institutions	8,418,374	26.0	2,914,820	14.6
Fixed income investments	13,068,540	40.4	8,450,182	42.4
Bonds	16,429,597	50.8	11,674,380	58.6
Term Deposits	330,090	1.0	300,000	1.5
Other Fixed Income Investments	402,675	1.2	525,527	2.6
Securities sold under agreements to repurchase	(4,093,822)	(12.7)	(4,049,725)	(20.3)
Equity and investment funds	5,894,750	18.2	4,712,869	23.6
Investment funds	3,560,385	11.0	1,991,589	10.0
Stocks	1,726,153	5.3	2,082,521	10.4
Unlisted equity shares	608,212	1.9	638,759	3.2
Other investments	4,976,517	15.4	3,852,755	19.3
Wealth management products	3,830,024	11.8	2,576,079	12.9
Trust	1,146,493	3.5	1,276,676	6.4
Total investment assets	32,358,181	100.0	19,930,626	100.0

We had total investment assets of approximately RMB19,930.6 million and approximately RMB32,358.2 million as of December 31, 2019 and 2020, respectively, representing an increase of approximately 62.4%. Total investment assets represented approximately 64.5% and approximately 70.8% of our total assets as of December 31, 2019 and 2020, respectively. As of December 31, 2020, equity and investment funds and other investments represented approximately 18.2% and approximately 15.4% of our total investment assets, respectively.

8. Cash and amounts due from banks and other financial institutions

Cash and amounts due from banks and other financial institutions primarily include cash, time deposit and placements with banks. Cash and amounts due from banks and other financial institutions increased from approximately RMB2,914.8 million as of December 31, 2019 to approximately RMB8,418.4 million as of December 31, 2020. The primary reason for the increase was net cash inflows from operating activities and financing activities as discussed in the section headed "Cash flows".

9. Bonds

Bonds include government bonds, financial bonds, corporate bonds and interbank deposits. As of December 31, 2020, approximately 99.0% of the bonds the Group held received external ratings of AA (domestic) level or above, or BBB- (international) level or above. For domestic bonds, more than approximately 79.7% received external ratings of AAA (domestic) level. Bond increased from approximately RMB11,674.4 million as of December 31, 2019 to approximately RMB16,429.6 million as of December 31, 2020.

10. Stocks and investment funds

The Group's investment in stocks decreased from approximately RMB2,082.5 million as of December 31, 2019 to approximately RMB1,726.2 million as of December 31, 2020, while the investment funds increased from approximately RMB1,991.6 million as of December 31, 2019 to approximately RMB3,560.4 million as of December 31, 2020.

11. 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 receive external ratings of AA level or above, and typically have longer terms and higher return over investment as compared to traditional fixed income products. Other investments increased from approximately RMB3,852.8 million as of December 31, 2019 to approximately RMB4,976.5 million as of December 31, 2020, as we intended to diversify the investment portfolio in order to secure stable investment return and manage overall credit risk.

12. Net Investment Income

	For the Year Ended December 31,		
	2020 RMB'000	2019 RMB'000	(% of change)
Interest income			
– Bank deposits	60,596	61,970	(2.2)
– Bond investments	507,579	486,044	4.4
– Securities purchased under agreements to resell	3,661	8,070	(54.6)
– Trust investment scheme	73,280	63,045	16.2
Dividend income			
– Fund investment	105,197	193,553	(45.6)
– Equity investment	25,575	28,442	(10.1)
– Wealth management products	78,575	221,778	(64.6)
Realized gains, net	673,035	712,884	(5.6)
	1,527,498	1,775,786	(14.0)

Management Discussion and Analysis

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 RMB1,775.8 million and RMB1,527.5 million for the year ended December 31, 2019 and 2020, respectively. The changes were primarily due to general condition of capital market in 2020.

13. **Net fair value changes through profit or loss**

Net fair value changes 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 loss amounting to approximately RMB25.5 million for the year ended December 31, 2020, compared to gain of approximately RMB169.9 million for the year ended December 31, 2019. The changes were primarily due to the volatility of bond market in 2020.

TECHNOLOGY BUSINESS

Revenue generated from technology export business of ZhongAn Technology and ZhongAn International rose from approximately RMB269.7 million for the year ended December 31, 2019 to approximately RMB365.1 million for the year ended December 31, 2020. Technology export business incurred approximately RMB367.9 million loss for the year ended December 31, 2020, compared to approximately RMB334.3 million loss in 2019.

VIRTUAL BANK

On March 24, 2020, our "Virtual Bank" officially opened for business in Hong Kong, which generated revenue of approximately RMB66.2 million for the year ended December 31, 2020. As ZA Bank is currently in the early stage of operation, it recorded a net loss of approximately RMB301.5 million for the year ended December 31, 2020, mainly due to general and administrative expenses.

OVERALL RESULTS

14. **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 22.3% from RMB15,124.0 million for the year ended December 31, 2019 to RMB18,493.2 million for the year ended December 31, 2020.

15. **Total profit/loss before tax**

Total profit before tax of the Group was approximately RMB146.5 million for the year ended December 31, 2020 compared with total loss before tax of approximately RMB610.8 million for the year ended December 31, 2019.

16. **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税), the Company and some of its subsidiaries are subject to the statutory rate of 25%. We had income tax expense of approximately RMB27.8 million and income tax credit of approximately RMB107.9 million for the year ended December 31, 2019 and 2020, respectively, which were primarily generated from changes in deferred income tax.

17. **Net profit/(loss) for the Reporting Period**

The Group recorded a net profit of approximately RMB254.4 million for the year ended December 31, 2020 compared to a net loss of approximately RMB638.6 million in 2019. The improvement in the performance of the Group was primarily due to a substantial decrease in underwriting loss. As the Company persisted in pursuing growth with quality, the combined ratio further improved accompanied by the steady increase in the gross written premiums.

CASH FLOW

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

	For the Year Ended December 31,	
	2020 RMB'000	2019 RMB'000
Net cash inflow/(outflow) from operating activities	4,858,856	(1,214,823)
Net cash outflow from investing activities	(6,271,850)	(361,297)
Net cash inflow from financing activities	7,106,584	2,031,518
Effect of exchange rate changes on cash and cash equivalents	(390,373)	32,593
Net increase in cash and cash equivalents	5,303,217	487,991
Cash and cash equivalents at the beginning of year	2,914,820	2,426,829
Cash and cash equivalents at the end of year	8,218,037	2,914,820

We had net cash inflow from operating activities of approximately RMB4,858.9 million for the year ended December 31, 2020, which comprised of cash inflow from underwriting business and other operating activities of approximately RMB22,345.4 million, offset by the cash outflows from claims and other operating expenses of approximately RMB7,681.1 million and approximately RMB9,805.4 million, respectively.

We had net cash outflow from investing activities of approximately RMB6,271.9 million for the year ended December 31, 2020, whereas our net cash outflow for the year ended December 31, 2019 was approximately RMB361.3 million. This was primarily due to the increase in the purchase of investment assets.

We had net cash inflow from financing activities of approximately RMB7,106.6 million for the year ended December 31, 2020, which primarily consisted of (i) net cash inflows from USD Notes issuance of approximately RMB6,871.2 million, (ii) capital injection from non-controlling interest of approximately RMB955.5 million, which was offset by cash outflow of approximately RMB511.9 million paid for redemption of preference shares.

Management Discussion and Analysis

INDEBTEDNESS

On July 16, 2020, we issued the Notes in the aggregate principal amount of USD600,000,000 with coupon rate of 3.125%. On September 8, 2020, we issued the Notes in the aggregate principal amount of USD300,000,000 with coupon rate of 3.5%. On October 12, 2020, we issued additional Notes in the aggregate principal amount of USD100,000,000 with coupon rate of 3.5%, which was consolidated and formed a single series with the USD300,000,000 notes issued on Septemebr 8, 2020.

As of December 31, 2020, 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, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities.

18. Significant investments

We do not hold any significant investments as of December 31, 2020 (including any investment in an investee company with a value of 5% or more of the Company's total assets as of December 31 2020).

19. 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, 2020.

20. Future plans for material investments and capital assets

As of December 31, 2020, we did not have other plans for material investments and capital assets.

21. Pledge of assets

Save as disclosed in this annual report, as of December 31, 2020, none of the Group's assets were pledged.

22. Gearing ratio

As of December 31, 2020, our gearing ratio, calculated as total liabilities (excluding capital supplementary bonds and subordinated term debts) divided by total assets, was approximately 61.9%, representing an increase of 15.3 percentage points as compared with approximately 46.6% as of December 31, 2019. The increase was primarily due to the issuance of USD Notes.

23. Foreign exchange exposure

During the year ended December 31, 2020, we mainly operated in the PRC and majority of the transactions were settled in Renminbi, the Company's functional currency. As of December 31, 2020, our cash and cash equivalents denominated in foreign currencies included approximately HK$2,229.5 million, USD233.8 million and JPY1,470.4 million, mainly arising from the business operation of ZhongAn International and the issuance of USD Notes. We did not use any financial instruments for hedging purposes during the year ended December 31, 2020.

24. Contingent liabilities

As of December 31, 2020, we did not have any material contingent liabilities.

25. Off-balance sheet commitments and arrangements

As of December 31, 2020, we have not entered into any off-balance sheet arrangements.

26. Events after the Reporting Period

Save as disclosed in this annual report, there was no other significant events that might affect the Group from December 31, 2020 to the date of this report.

27. Employees and remuneration policies

As of December 31, 2020, the Group had 3,033 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, 2020 was approximately RMB1,537.7 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	59	November 14, 2013
Jin Chen[(2)]	Executive Director	53	November 14, 2014
Hugo Jin Yi Ou[(1)]	Executive Director	29	November 27, 2017
Xinyi Han	Non-executive Director	44	November 23, 2016
Jimmy Chi Ming Lai[(3)]	Non-executive Director	49	November 23, 2016
Xiaoming Hu[(4)]	Non-executive Director	51	November 29, 2013
Liangxun Shi	Non-executive Director	55	November 18, 2019
Weibiao Zhan[(5)]	Non-executive Director	48	—
Ming Yin	Non-executive Director	51	November 18, 2019
Shuang Zhang	Independent non-executive Director	50	November 14, 2014
Hui Chen	Independent non-executive Director	55	December 21, 2016
Yifan Li	Independent non-executive Director	54	December 21,2016
Ying Wu	Independent non-executive Director	62	July 4, 2017
Wei Ou	Independent non-executive Director	63	December 19, 2019
Yuping Wen	Chairman of the Supervisory Committee	41	November 29, 2013
Baoyan Gan	Supervisor	47	November 14, 2014
Haijiao Liu	Employee representative Supervisor	36	May 14, 2018
Xing Jiang[(6)]	General manager and chief executive officer	44	July 18, 2019
Min Wang	Vice general manager	36	July 24, 2019
	Secretary of the Board		May 14, 2018
Gaofeng Li	Vice general manager, chief financial officer and chief investment officer	44	January 23, 2019
	Chief Financial Officer		March 23, 2020
Francis Yui Man Tang	Vice general manager	57	July 10, 2018
Yongbo Zhang	Vice general manager	43	April 20, 2018
	Compliance director		November 7, 2013
	Chief risk management officer		November 13, 2019
Ge Lin[(7)]	Vice general manager	51	June 26, 2019
Huanchen Wu[(8)]	Vice general manager	48	August 13, 2020
Rui Sun	Financial director	37	June 13, 2019
Hai Lin	Chief actuary	48	January 2, 2020
Xiaoming Wang	Audit director	39	April 14, 2020
Jingwei Zhang[(9)]	Audit director	38	January 11, 2016
Lei Xiang[(10)]	Assistant general manager	41	July 9, 2018

Notes:

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

(2) Jin Chen resigned as an executive Director on January 22, 2021.

(3) Jimmy Chi Ming Lai resigned as a non-executive Director on March 23, 2020.

(4) Xiaoming Hu resigned as a non-executive Director on August 26, 2020.

(5) Weibiao Zhan shall be a non-executive Director and member of the investment strategy committee of the Company upon his qualification as a director of the Company being approved by the CBIRC.

(6) 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 act as the acting general manager and chief executive officer 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.

(7) Ge Lin retired on August 31, 2020.

(8) Huanchen Wu resigned on January 22, 2021.

(9) Jingwei Zhang retired on April 14, 2020.

(10) Lei Xiang retired on March 23, 2021.

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 59, 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, the chairman of the Investment Strategy Committee 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 53, was an executive Director and the chairman of the Investment Strategy Committee of the Board and the president of the Fintech Research Institute of the Company until his resignation on January 22, 2021. 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 29, is an executive Director. 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 and the Consumer Rights Protection 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 44, 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 20 years of experience in finance. Mr. Han has been the chief financial officer of Ant Group since April 2020. Prior to that, Mr. Han held the positions of senior director and vice president at Ant Group, and had been a senior director at the corporate finance department of Alibaba from September 2011 to May 2014. Mr. Han 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**") and the Hong Kong Stock Exchange, stock code; YUMC/9987) since May 2019.

Jimmy Chi Ming Lai (賴智明), aged 49, was a non-executive Director and a member of the Investment Strategy Committee of the Board of the Company until his resignation on March 23, 2020. Mr. Lai joined our Group in November 2013. Mr. Lai obtained a master's degree in business administration from Harvard University in June 2006. He has been the head of the financial technology group of Tencent since 2015. Mr. Lai was formerly the general manager of Tencent from 2011 to 2015, and general manager of the QQ membership division from 2009 to 2011. In addition, he has been a non-executive director of Yixin Group Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 2858), since June 2017 and 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) since February 2017 and was a director of Shanghai E-Money Software Technology Holdings Co., Ltd (上海益盟軟件技術股份有限公司) (Stock Code: 832950) from December 2015 to February 2017.

Xiaoming Hu (胡曉明), aged 51, was a non-executive Director and a member of the Risk Management Committee of the Board of the Company until his resignation on August 26, 2020. Mr. Hu joined our Group in November 2013. Mr. Hu graduated as 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 Group since November 2018. Mr. Hu was the president of Alibaba Cloud Computing Ltd. (阿裡雲計算有限公司) 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 55, is a non-executive Director and a member of the Audit Committee and the Consumer Rights Protection 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 51, 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 Group. Mr. Yin graduated with an EMBA from China Europe International Business School.

Weibiao Zhan (湛煒標), aged 48, was elected to the Board in May 2020. Mr. Zhan shall be a non-executive Director and a member of the Investment Strategy Committee of the Board of the Company upon his qualification as a director of the Company being approved by the CBIRC. Mr. Zhan received his bachelor's degrees in both engineering and economics from South China University of Technology in July 1997, and his executive master of business administration from the Hong Kong University of Science and Technology in November 2011. Mr. Zhan has over 20 years of experience in technology, media and telecom and investment sectors and had held various positions in large consulting and information technology services companies. Between July 1997 and July 1998, Mr. Zhan served as an assistant to the department head of the technology department of China Academy of Science and Technology Development. From July 1998 to June 2000, Mr. Zhan successively served as a software engineer and a project manager at Kingdee Software (China) Co., Ltd. From June 2000 to May 2003, Mr. Zhan successively served as an application development consultant and a regional manager for southern China region at the Client Support Department of Microsoft (China) Co., Ltd. Guangzhou Branch. Mr. Zhan joined Tencent Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited (Stock Code: 700), since 2003 and now serves as the vice president of Tencent Financial Technology (FiT) and the partner of Tencent Investment. From March 2018 to February 2019, Mr. Zhan served as a director at Cango Inc., a company listed on the New York Stock Exchange (Stock Code: CANG). From February 2019 to June 2020, he also served as a non-executive director of Maoyan Entertainment, a company listed on the Hong Kong Stock Exchange (Stock Code: 1896). He currently serves as a director of Beijing Navinfo Co., Ltd., a company listed on the Shenzhen Stock Exchange ("**SZSE**") (Stock Code: 002405) and a director of E-Money Holding Co., Ltd., a company listed on the National Equities Exchange and Quotations System (Stock Code: 832950).

Directors, Supervisors and Senior Management

Independent Non-Executive Directors

Shuang Zhang (張爽), aged 50, 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 55, 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.

Yifan Li, aged 54, 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 Everest Medicines Limited (雲頂新耀有限公司), a company listed on the Hong Kong Stock Exchange (Stock Code: 1952) since September 2020, 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 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 62, is an independent non-executive Director, the chairman of the Consumer Rights Protection Committee 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 63, is an independent non-executive Director, the chairman of the Related Transactions Control Committee and a member of the Risk Management 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 (溫玉萍), aged 41, 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 47, 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 36, 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 44, 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, 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 Group, 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 36, is the executive vice general manager of the Company and the secretary of the Board, in charge of the strategic development department, the financial business department, the actuary and reinsurance department and the internal audit department of the Company as well as assisting the general manager in administration of the general manager's office. He is also an executive director 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.

Gaofeng Li (李高峰), aged 44, is the vice general manager, the chief financial officer and the chief investment officer of our Company, responsible for the Company's investor relations department, asset management department, administration department and operations management center. His responsibilities include assisting the general manager to take charge of financial affairs. 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 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.

Directors, Supervisors and Senior Management

Francis Yui Man Tang (鄧銳民), aged 57, is the vice general manager of our Company, in charge of the Company's auto insurance business department and related duties. 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 43, is the vice general manager, the compliance director 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.

Rui Sun (孫睿), aged 37, 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.

Ge Lin (林革), aged 51, was the vice general manager of our Company until his retirement on August 31, 2020, 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.

Huanchen Wu (吳煥晨), aged 48, resigned as the vice general manager of the Company on January 22 2021, Ms. Wu was responsible for our Company's auto insurance business. Ms. Wu graduated with a bachelor's degree of economics in risk management and insurance from Nankai University. Ms. Wu has extensive experience in the auto insurance industry and has worked in China Pacific Insurance (Group) Co., Ltd., Balance Automobile Insurance Co., Ltd. (天平汽車保險股份有 限公司), and Ansheng Tianping Property Insurance Limited Liability Company (安盛天平財產保險股份有限公司) successively.

Hai Lin (林海), aged 48, 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.

Xiaoming Wang (王曉明), aged 39, is the audit director of the Company, responsible for our Company's internal audit matters. Mr. Wang graduated from Central University of Finance and Economics in 2013 with a master's degree in certified public accountant and graduated from Beijing University of Technology in 2002 with a bachelor's degree in accounting. He possesses the qualifications of certified internal auditor (CIA) and certified anti-money laundering specialist. Mr. Wang has over 15 years of experience in internal audit and management in finance and insurance industries. He successively worked as head of the audit and internal control departments in Ping An Group, Houxiang Group (厚相集團) and Mandao Group (漫道集團), responsible for the overall management of internal audit matters.

Jingwei Zhang (張經緯), aged 38, was the audit director of our Company until his retirement on April 14, 2020, 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 41, was the assistant general manager and vice president of business until his retirement on March 23, 2021, 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. (眾安信息技術服務有限公司). 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).

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. With effect from August 26, 2020, Mr. Xiaoming Hu resigned as a non-executive Director and a member of the Risk Management Committee of the Board of the Company.

2. With effect from January 22, 2021, Mr. Jin Chen resigned as an executive Director and the chairman of the Investment Strategy Committee of the Board of the Company.

3. With effect from January 22, 2021, Mr. Yaping Ou was appointed as the chairman of the Investment Strategy Committee of the Board of the Company.

4. Mr. Yifan Li has been serving as an independent non-executive director of Everest Medicines Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 1952), since September 2020.

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 since the date of publication of the 2020 interim report.

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, 2020.

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, 2020, 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, 2020.

Board of Directors

As at December 31, 2020, the Board comprised three executive Directors, four non-executive Directors and five independent non-executive Directors.

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[(1)]	Chairman of the Investment Strategy Committee
Hugo Jin Yi Ou	Member of the Investment Strategy Committee and the Consumer Rights Protection Committee
Non-executive Directors	
Xinyi Han	Member of the Investment Strategy Committee
Liangxun Shi	Member of the Audit Committee and the Consumer Rights Protection Committee
Ming Yin	Member of the Risk Management Committee
Weibiao Zhan[(2)]	Member of the Investment Strategy 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	Chairman of the Risk Management Committee, member of the Audit Committee and the Related Transactions Control Committee
Ying Wu	Chairman of the Consumer Rights Protection Committee and member of the Remuneration and Nomination Committee
Wei Ou	Chairman of the Related Transactions Control Committee and member of the Risk Management Committee

(1) Mr. Jin Chen resigned as an executive Director and chairman of the Investment Strategy Committee on January 22, 2021.

(2) Mr. Weibiao Zhan shall be a non-executive Director and member of the Investment Strategy Committee upon his qualification as a director being approved by the CBIRC.

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 39 to 45 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 non-executive Directors (including independent non-executive Directors) without the presence of executive Directors during the year.

Two general meetings of the Company were held for the year.

A summary of the attendance record of the Directors at the Board meetings and general meetings held during the year is set out in the table below:

Name of Directors	Number of Board meetings attended/ held for the year ended December 31, 2020	Attendance rate of Board meetings	Number of general meetings attended/held for the year ended December 31, 2020	Attendance rate of general meetings
Executive Directors				
Yaping Ou	8/8	100%	2/2	100%
Jin Chen[(1)]	8/8	100%	2/2	100%
Hugo Jin Yi Ou	8/8	100%	2/2	100%
Non-executive Directors				
Xinyi Han	6/8	75%	2/2	100%
Jimmy Chi Ming Lai[(2)]	0/1	0%	0/0	0%
Xiaoming Hu[(3)]	4/5	80%	1/1	100%
Liangxun Shi	7/8	87.5%	2/2	100%
Ming Yin	8/8	100%	2/2	100%
Independent Non-executive Directors				
Shuang Zhang	8/8	100%	2/2	100%
Hui Chen	8/8	100%	2/2	100%
Yifan Li	8/8	100%	2/2	100%
Ying Wu	8/8	100%	2/2	100%
Wei Ou	8/8	100%	2/2	100%

(1) Resigned from the Board on January 22, 2021.

(2) Resigned from the Board on March 23, 2020.

(3) Resigned from the Board on August 26, 2020.

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, 2020, 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 182 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 six committees, namely, the Audit Committee, the Risk Management Committee, the Remuneration and Nomination Committee, the Investment Strategy Committee, the Related Transactions Control Committee and the Consumer Rights Protection 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, the Related Transactions Control Committee and the Consumer Rights Protection 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 Committees are to supervise the risk management, internal control system, financial information disclosure and financial reporting matters.

As at December 31, 2020, the Audit Committee comprised Ms. Hui Chen, Mr. Liangxun Shi and Mr. Yifan Li. Ms. Hui Chen is the chairman of the Audit Committee.

During the year ended December 31, 2020, the Audit Committee convened seven meetings. The attendance record of these meetings is set out in the table below:

Name of Committee Members	Number of meetings attended/held for the year ended December 31, 2020	Attendance rate
Hui Chen	7/7	100%
Liangxun Shi	6/7	85.71%
Yifan Li	7/7	100%

During these meetings, the Audit Committee reviewed the annual results announcement and report of the Company for the year ended December 31, 2019 and the interim results announcement and interim report for the six months ended June 30, 2020, 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 has also reviewed the annual results of the Group for the year ended December 31, 2020 and has discussed with the management of the Company about the accounting principles and practices adopted by the Group, and its internal controls and financial reporting matters.

The Audit Committee also held two 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, 2020, the Risk Management Committee comprised Mr. Yifan Li, Mr. Ming Yin and Mr. Wei Ou. Mr. Yifan Li is the chairman of the Risk Management Committee.

During the year ended December 31, 2020, the Risk Management Committee convened eight meetings. The attendance record of these meetings is set out in the table below:

Name of Committee Members	Number of meetings attended/held for the year ended December 31, 2020	Attendance rate
Yifan Li	8/8	100%
Xiaoming Hu(1)	4/5	80%
Ming Yin	8/8	100%
We Ou(2)	1/1	100%

(1) Resigned from the Board on August 26, 2020.

(2) Appointed as a member of the Risk Management Committee on September 18, 2020.

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 (the "**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, 2020, the Remuneration and Nomination Committee comprised Mr. Shuang Zhang, Mr. Yaping Ou and Mr. Ying Wu. Mr. Shuang Zhang is the chairman of the Remuneration and Nomination Committee.

During the year ended December 31, 2020, the Remuneration and Nomination Committee convened seven meetings. The attendance record of these meetings is set out in the table below:

Name of Committee Members	Number of meetings attended/held for the year ended December 31, 2020	Attendance rate
Shuang Zhang	7/7	100%
Yaping Ou	7/7	100%
Ying Wu	7/7	100%

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 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, 2020 are set out in Note 17 to the Financial Statements.

The remuneration of the members of senior management by band for the year ended December 31, 2020 is set out below:

Remuneration bands (RMB)	Number of persons
0-1,000,000	2
1,000,000-2,000,000	5
2,000,000-3,000,000	3
Total	10

Board Diversity Policy

The Company has adopted 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, 2020, changes to the composition of the Board are set out in the section headed "Report of Directors" on page 59 to 77 of this annual report.

Investment Strategy Committee

The Company has established an Investment Strategy Committee. The primary responsibilities of the 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, 2020, the Investment Strategy Committee comprised Mr. Jin Chen, Mr. Xinyi Han and Mr. Hugo Jin Yi Ou. Mr. Jin Chen is the chairman of the Investment Strategy Committee.

During the year ended December 31, 2020, the Investment Strategy Committee convened six meetings. The attendance record of these meetings is set out in the table below:

Name of Committee Members	Number of meetings attended/held for the year ended December 31, 2020	Attendance rate
Jin Chen(1)	6/6	100%
Xinyi Han	4/6	66.67%
Jimmy Chi Ming Lai(2)	N/A	N/A
Hugo Jin Yi Ou	6/6	100%

(1) Mr. Jin Chen resigned from the Board on January 22, 2021. As the date of this annual report, Mr. Yaping Ou is the chairman of the Investment Strategy Committee.

(2) Resigned from the Board on March 23, 2020.

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 the 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, 2020, the Related Transactions Control Committee comprised Mr. Wei Ou, Ms. Hui Chen and Mr. Yifan Li. Mr. Wei Ou is the chairman of the Related Transactions Control Committee.

Corporate Governance Report

During the year ended December 31, 2020, the Related Transactions Control Committee convened six meetings. The attendance record of these meetings is set out in the table below:

Name of Committee Members	Number of meetings attended/held for the year ended December 31, 2020	Attendance rate
Wei Ou	6/6	100%
Hui Chen	6/6	100%
Yifan Li	5/6	83.33%

During the meetings, the Related Transactions Control Committee considered matters such as related party file maintenance, the identification and management of significant related transactions and the implementation of the related party transaction management system for the year, and made relevant recommendations to the Board.

Consumer Rights Protection Committee

The Company has established a Consumer Rights Protection Committee. The primary responsibilities of the Consumer Rights Protection Committee include, among others, the following:

- considering resolutions on consumers' rights protection proposed to be submitted to the Board for review, and advising the Board in this respect according to the overall strategies of the Company;
- formulating the strategies for, policies on and goals of consumers' rights protection of the Company, directing and promoting the construction and improvement of the management system of works related to consumers' rights protection, and including consumers' rights protection into corporate governance and business development strategies;
- supervising the senior management on efficient performance and implementation of work relating to consumers' rights protection, and supervising the comprehensiveness, timeliness and effectiveness of the consumer rights protection work, as well as the performance of the senior management;
- holding meetings regularly on consumer rights protection to review the work reports of senior management on consumer rights protection work of the company, reviewing and approving relevant work reports;
- submitting work reports and annual report on consumer rights protection to the Board, performing related works as authorized by the Board, discussing and making decisions on the relevant matters, and studying major issues and important policies on consumer rights protection; and
- studying annual audit reports, regulatory circulars and internal assessment results related to consumer rights protection as well as urging senior management and relevant departments to take remedy actions to the issues identified in a timely manner.

As at December 31, 2020, the Consumer Rights Protection Committee comprised Mr. Ying Wu, Mr. Hugo Jin Yi Ou and Mr. Liangxun Shi. Mr. Ying Wu is the chairman of the Consumer Rights Protection Committee.

During the year ended December 31, 2020, the Consumer Rights Protection Committee convened two meetings. The attendance record of these meetings is set out in the table below:

Name of Committee Members	Number of meetings attended/held for the year ended December 31, 2020	Attendance rate
Ying Wu	2/2	100%
Hugo Jin Yi Ou	2/2	100%
Liangxun Shi	2/2	100%

During the meetings, the Consumer Rights Protection Committee considered matters such as the Company's regulations for consumer rights protection, the structure and responsibilities of the panel on consumer rights protection of the Company, regulations on complaints handling and work on annual consumer rights protection, and made relevant recommendations to the Board.

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;
- 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, 2020.

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.

Corporate Governance Report

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, 2020, the Company organized various training courses provided by the Insurance Association of China for the Directors in respect of analysis and practice of an insurance company's financial operations capability, selection of equity investment mode of insurance funds and business innovation, publicity and guidance course of new policy on consumer rights protection, 18 lectures of case analysis on Alibaba's three management tools and asset & liability management in a low interest rate environment. 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, 2020, 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[(1)]	A
Hugo Jin Yi Ou	A
Non-executive Directors	
Xinyi Han	A
Jimmy Chi Ming Lai[(2)]	A
Xiaoming Hu[(3)]	A
Liangxun Shi	A
Ming Yin	A
Independent Non-executive Directors	
Shuang Zhang	A
Hui Chen	A
Yifan Li	A
Ying Wu	A
Wei Ou	A

(1) Resigned from the Board on January 22, 2021.

(2) Resigned from the Board on March 23, 2020.

(3) Resigned from the Board on August 26, 2020.

Auditors' Responsibility and Remuneration

The Company appointed PricewaterhouseCoopers, Certified Public Accountants, Hong Kong ("**PricewaterhouseCoopers**") as the external auditor for the year ended December 31, 2020. A statement by PricewaterhouseCoopers about their reporting responsibilities for the financial statements is included in the Independent Auditors' Report on pages 113 to 214.

Details of the fees paid/payable in respect of the audit and non-audit services provided by PricewaterhouseCoopers for the year ended December 31, 2020 are set out in the table below:

Services rendered to the Company	Fees paid and payable
	RMB'000
Audit services	13,275
Non-audit services	3,100
Total	16,375

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, 2020.

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, 2020, 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

Company Secretary

Yongbo Zhang (張勇博) and Ms. Ella Wai Yee Wong (黃慧兒), director of Corporate Services of Tricor Services Limited, were appointed as the joint company secretaries of the Company from the Listing Date. Ms. Wong resigned as a joint company secretary of our Company with effect from September 28, 2020. Following the resignation of Ms. Wong, Mr. Zhang became the sole company secretary of the Company with effect from September 28, 2020. See disclosure in "Directors, Supervisors and Senior Management — Senior Management" in this annual report for the biography of Mr. Zhang.

For the year ended December 31, 2020, Mr. Zhang has undertaken not less than 15 hours of relevant professional training 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 corporate governance and securities affairs department)
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 Stock Exchange, were adopted on May 11, 2020 and there have been no changes to the Articles of Association since then.

Report of Directors

The Board of the Company is pleased to present this Directors' Report together with the consolidated financial statements of the Group for the year ended December 31, 2020.

Directors

The Directors who held office during the year ended December 31, 2020 and up to the date of this annual report are:

Executive Directors:

Yaping Ou *(Chairman)*
Jin Chen *(resigned on January 22, 2021)*
Hugo Jin Yi Ou

Non-executive Directors:

Xinyi Han
Jimmy Chi Ming Lai *(resigned on March 23, 2020)*
Xiaoming Hu *(resigned on August 26, 2020)*
Liangxun Shi
Ming Yin
Weibiao Zhan *(elected on May 11, 2020. He shall be a non-executive Director upon the approval of his qualification as director by the CBIRC.)*

Independent Non-executive Directors:

Shuang Zhang
Hui Chen
Yifan Li
Ying Wu
Wei Ou

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 39 to 45 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, 2020 is set out "Message from the Chairman and CEO" on pages 5 to 9 and "Management Discussion and Analysis" on pages 12 to 38 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 depend, 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 is 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 faced by the Group include:

- Insurance risk: refers to the risk of adverse deviation of the actual loss ratio, expense ratio or surrender rate from expectations, which may cause potential losses to the Group.
- Market risk: refers to the risk of unexpected losses 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 resulting from any failure or delay of debtors or counterparties to perform its 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 environments 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 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 by 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 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, 2020, the Group had 3,033 employees (2019: 2,898). As of December 31, 2020, 2,091 of the Company's employees are primarily based at our headquarters in Shanghai, China, 148 of our employees are based in Hangzhou, China, 175 of our employees are primarily based in Beijing, China, 354 of our employees are primarily based in Shenzhen, China, 160 of our employees are primarily based in Hong Kong, China, and the remaining are primarily based in Dalian (70), Chengdu (6) and Chongqing (3), China. The following table sets forth the number of employees by function as of December 31, 2020:

Function	Number of Employees	% of Total
Management	84	2.77
Technology	1,426	47.02
Product Managers	428	14.11
Operations	415	13.68
Support	536	17.67
Sales and Marketing	124	4.09
General administrative	20	0.66
Total	3,033	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, 2020 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, 2020, our top five policyholders combined accounted for approximately 4.6% of our GWP, while our top policyholder accounted for 2.0% of our GWP.

During the year ended December 31, 2020, 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 clients in respect of our business segments.

During the year ended December 31, 2020, 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 7 to the consolidated financial statements.

Share capital and Shares issued

Details of the share capital of the Company for the year ended December 31, 2020 are set out below.

Number	Class of Shares	Number of Shares	Approximate percentage of the Company's total issued share capital
1	Domestic Shares	50,000,000	3.40%
2	H Shares	1,419,812,900	96.60%
	Total	1,469,812,900	100%

On October 28, 2020, the Company received the formal approval of the China Securities Regulatory Commission to convert 950,000,000 domestic shares of the Company into H shares. The 950,000,000 domestic shares of the Company were converted into H shares on December 10, 2020, and were listed on the Hong Kong Stock Exchange on December 11, 2020.

Further details of the H shares full circulation programme are set out in the announcements of the Company dated April 14, 2020, October 28, 2020 and December 10, 2020.

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, 2020. (2019: 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, 2020, 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 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]	H Shares	Interest of controlled corporation	81,000,000 (Long position)	5.70%	5.51%

Notes:

(1) The shareholding percentages are calculated on the basis of 50,000,000 Domestic Shares and 1,419,812,900 H Shares as at December 31, 2020.

(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, 2020, 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.

Report of Directors

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

As at December 31, 2020, within the knowledge of the Directors, the following persons (other than the Directors, the Supervisors and 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 Group[3]	H Shares	Beneficial interest	199,000,000	14.02%	13.54%
Hangzhou Yunbo Investment Consulting Co, Ltd.[3]	H Shares	Interest of controlled corporation	199,000,000	14.02%	13.54%
Yun Ma[3]	H Shares	Interest of controlled corporation/Concert party to an agreement to buy shares	199,000,000	14.02%	13.54%
Simon Xiaoming Hu[3]	H Shares	Concert party to an agreement to buy shares	199,000,000	14.02%	13.54%
Fang Jiang[3]	H Shares	Concert party to an agreement to buy shares	199,000,000	14.02%	13.54%
Eric Xiandong Jing[3]	H Shares	Concert party to an agreement to buy shares	199,000,000	14.02%	13.54%
Tencent Computer System[4]	H Shares	Beneficial interest	150,000,000	10.56%	10.21%
Huateng Ma[4]	H Shares	Interest of controlled corporation	150,000,000	10.56%	10.21%
Tencent[4]	H Shares	Interest of controlled corporation	150,000,000	10.56%	10.21%
Ping An Insurance[5]	H Shares	Beneficial interest	150,000,000	10.56%	10.21%
Shenzhen Jia De Xin Investment Limited[6]	H Shares	Beneficial interest	140,000,000	9.86%	9.53%
Shenzhen Huaxinlian Investment Limited[6]	H Shares	Interest of controlled corporation	140,000,000	9.86%	9.53%
Yafei Ou[6]	H Shares	Interest of controlled corporation	140,000,000	9.86%	9.53%

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)]
Unifront Holding Limited[(7)]	H Shares	Beneficial interest	90,000,000	6.34%	6.12%
Shanghai Songlu Investment Management Co., Ltd.[(7)]	H Shares	Interest of controlled corporation	90,000,000	6.34%	6.12%
Shanghai Jianglu Investment Management Co., Ltd.[(7)]	H Shares	Interest of controlled corporation	90,000,000	6.34%	6.12%
Shanghai Xinlu Investment Management Co., Ltd.[(7)]	H Shares	Interest of controlled corporation	90,000,000	6.34%	6.12%
Shanghai Youlu Investment Management Co., Ltd.[(7)]	H Shares	Interest of controlled corporation	90,000,000	6.34%	6.12%
Zhen Zhang[(7)]	H Shares	Interest of controlled corporation	90,000,000	6.34%	6.12%
Cnhooray Internet Technology Co. Ltd.[(8)]	H Shares	Beneficial interest	81,000,000	5.70%	5.51%
Timeway Holdings Limited[(8)]	H Shares	Interest of controlled corporation	81,000,000	5.70%	5.51%
Sinolink Worldwide Holdings Limited[(8)]	H Shares	Interest of controlled corporation	81,000,000	5.70%	5.51%
Asia Pacific Promotion Limited[(8)]	H Shares	Interest of controlled corporation	81,000,000	5.70%	5.51%
Shanghai Yuanqiang Investment Company Limited[(9)]	Domestic Shares	Beneficial interest	50,000,000	100%	3.40%
Song Zou[(9)]	Domestic Shares	Interest of controlled corporation	50,000,000	100%	3.40%

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 50,000,000 Domestic Shares and 1,419,812,900 H Shares as at December 31, 2020.

(3) 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") and Hangzhou Junao Equity Invest-ments Partnership (Limited Partnership) (杭州君澳股權投資合夥企業(有限合夥)) ("Hangzhou Junao") held approximately 29.86% and 20.66% (together approxi-mately 50.52%) of Ant Group's total issued Shares, respectively. Hangzhou Yunbo Investment Consulting Co., Ltd. (杭州雲鉑投資諮詢有限公司) ("Hangzhou Yunbo") is the executive partner and general partner of, and controls, Hangzhou Junhan and Hangzhou Junao. Mr. Jack Ma held a 34% equity interest in Hangzhou Yunbo and each of Mr. Eric Jing, Mr. Simon Hu and Ms. Fang Jiang held a 22% equity interest in Hangzhou Yunbo. Pursuant to the Concert Party Agreement entered into between them and the articles of association of Hangzhou Yunbo, Mr. Jack Ma has ultimate control over Ant Group.

(4) Tencent Computer System is a consolidated affiliated entity (through contractual arrangements) of Tencent, 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 is deemed to be interested in the Shares held by Tencent Computer System. Mr. 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 Main Board of the Hong Kong Stock Exchange (Stock Code: 2318) and the Shanghai Stock Exchange (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 Mr. Yafei Ou (歐亞非). As such, Mr. Yafei Ou (歐亞非) is deemed to be interested in the Shares held by Shenzhen Jia De Xin Investment Limited.

Report of Directors

(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 16.88% and Shanghai Xinlu Investment Management Co., Ltd. (上海鑫鹿投資管理有限公司) as to 13.12%. 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.

(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) Shanghai Yuanqiang Investment Company Limited (上海遠強投資有限公司) is owned by Mr. Song Zou (鄒松) as to 80.00%. As such, Mr. 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).

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, 2020.

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 Director's 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 of the Company 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 Note 17 and Note 18 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 transactions for the year according to industry regulations

In 2020, the Company strictly complied with the requirements issued by the CBIRC. The management structure of related party transactions was well established, the Related Transactions Control Committee and the Related Party Transaction Management Office operated effectively, 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. 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.

Continuing Connected Transactions

During the year ended December 31, 2020, the Group engaged in certain transactions with the following persons that constituted continuing connected transactions under the Listing Rules ("**Continuing Connected Transactions**").

- Our Directors and Supervisors and certain associates of our Directors and Supervisors: Pursuant to Rules 14A.07(1) 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 and its associates is accordingly a connected transaction.
- Ant 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.12 of the Listing Rules, any transaction between the Company and Ant Group 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 Rule 14A.12 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.
- Ping An Insurance 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) and 14A.12 of the Listing Rules, any transaction between the Company and Ping An Insurance and its subsidiaries 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, 2020, 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 ("**Previous Insurance Products Framework Agreement**"). The Previous Insurance Products Framework Agreement commenced on the Listing Date and was terminated with effect from April 20, 2020 when the Company and Sinolink Worldwide entered into a new framework agreement on April 21, 2020 (the "**New Insurance Products Framework Agreement**"). The term of the New Insurance Products Framework Agreement commenced on April 21, 2020 and will expire on December 31, 2022. 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.

Further details of the New Insurance Products Framework Agreement are set out in the announcement of the Company dated April 21, 2020.

Reasons for the Transaction

The Company is one of only four companies with an online insurance license in China and it is in the ordinary course of the Company's business to provide innovative corporate insurance products to all types of organizations. Sinolink Worldwide and its subsidiaries conduct a variety of financial services that require the Group's insurance service. By entering into the New Insurance Products Framework Agreement, the Group can continue to utilize the resources and capabilities to expand its 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 center. Premium rates of these products are either approved by or filed with the CBIRC.

Report of Directors

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, 2020:

Name	Type of transaction	Annual cap for the year ended December 31, 2020 (RMB thousand)	Transaction amount for the year ended December 31, 2020 (RMB thousand)
Subsidiaries of Sinolink Worldwide	Provision of insurance products to subsidiaries of Sinolink Worldwide by us	35,000	13

2. Continuing Connected Transactions with associates of Tencent

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) an agreement with Tencent Technology entered into on June 1, 2020, pursuant to which the Company agreed to provide comprehensive insurance services to employees of Tencent Technology; and

(ii) two agreements entered into on August 21, 2020 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 are set out in the announcements of the Company dated June 1, 2020 and August 21, 2020.

Reasons for the Transaction

We are one of only four companies with an online insurance license in China and it is in the 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 center. Premium rates of these products are either approved by or filed with the CBIRC.

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, 2020:

Name	Type of transaction	Annual cap for the year ended December 31, 2020 (RMB thousand)	Transaction amount for the year ended December 31, 2020 (RMB thousand)
Associates of Tencent	Provision of insurance products to associates of Tencent by us	20,000(Note 1)	16,948

Note:

1. The annual cap for the year ended December 31, 2020 was revised during the year ended December 31, 2020. Please refer to the announcement of the Company dated August 21, 2020 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 Insurance, 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 Insurance 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, 2020, 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.

Report of Directors

(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**", and together with the Auto Co-insurance Cooperation Agreement, the "**Previous Auto Co-insurance Cooperation 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. The Previous Auto Co-insurance Cooperation Agreement was terminated with effect from January 1, 2020 when the Company and Ping An P&C entered into new agreements on November 8, 2019 (the "**New Auto Co-insurance Cooperation Agreements**"). The term of the New Auto Co-insurance Cooperation Agreements commenced on January 1, 2020 and will expire on December 31, 2022.

Ping An P&C is primarily responsible for operating the duties under the agreement and payments will be made to Ping An P&C which will then be settled with us.

Further details of the New Auto Co-insurance Cooperation Agreements are set out in the announcement of the Company dated November 8, 2019.

Reasons for the Transaction

Ping An Insurance 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 Insurance 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 center. 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.

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, 2020:

Name	Type of transaction	Annual cap for the year ended December 31, 2020 (RMB thousand)	Transaction amount for the year ended December 31, 2020 (RMB thousand)
Ping An Group	Cooperation agreement for the provision of auto co-insurance	1,644,500	1,328,248
	Provision of asset management services provided by Ping An Asset Management to us	160,000 (Note 1)	108,594

Note:

1. The annual cap for the year ended December 31, 2020 was revised prior to the year ended December 31, 2020. Please refer to the announcements of the Company dated July 21, 2020 and December 7, 2020 for further details.

4. Continuing Connected Transaction with Ant Group and its associates

(a) Online platform cooperation agreement between Ant Group and its associates and us

On September 11, 2017, we and Ant Group entered into an online platform cooperation framework agreement for the provision of insurance products to various parties ("**Previous Online Platform Cooperation Framework Agreement**"). As a provider of online insurance products we use online platforms operated by Ant Group and its associates to sell various insurance products to end users of their online platforms in our ordinary course of business. The Previous Online Platform Cooperation Framework Agreement was terminated with effect from January 1, 2020 when the Company and Ant Group entered into a new agreement on November 8, 2019 (the "**New Online Platform Cooperation Framework Agreement**"). The New Online Platform Cooperation Framework Agreement was for a term of one year from January 1, 2020 to December 31, 2020.

Relevant subsidiaries of Ant 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 New Online Platform Cooperation Framework Agreement.

Further details of the New Online Platform Cooperation Framework Agreement are set out in the announcement of the Company dated November 8, 2019.

Reasons for the Transaction

We are one of only four companies with an online insurance license 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 Group will be beneficial to us in light of Ant Group's dominant market position in online platforms in the PRC market.

Pricing Policies

The platform service fees paid to Ant Group and its associates by us are determined based on arm's length negotiations between us and Ant Group and 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.

Report of Directors

Currently the platform service fees charged by Ant Group and its associates are comparable to fees charged by Ant Group 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. For example, under current arrangements, the technical services fee in relation to shipping return insurance is based on the following formula: Total Premium x (Settlement Limit — Actual Settlement Rate) x Fixed Rate.

The Actual Settlement Rate is calculated based on, and adjusted from time to time in accordance with, the actual claim settlements of the insurance product. The Settlement Limit is based on the claim settlement limit set for each policy.

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, the promotion offered by the online platform, prevailing market prices for similar insurance products and the scale of the product business.

We consider Ant Group an important ecosystem partner and the customer reach offered by Ant Group 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.

The below table sets out the comparison between the annual cap and actual transaction amount of the Continuing Connected Transactions with Ant Group for the year ended December 31, 2020:

Name	Type of transaction	Annual cap for the year ended December 31, 2020 (RMB thousand)	Transaction amount for the year ended December 31, 2020 (RMB thousand)
Ant Group	Online platform cooperation agreement between Ant Group and its associates and us	2,290,000 (Note 1)	2,068,096

Note:

1. The annual cap for the year ended December 31, 2020 was revised during the year ended December 31, 2020. Please refer to the announcement of the Company dated November 27, 2020 and the circular of the Company dated December 11, 2020 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, 2020:

(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, 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, 2020, save as disclosed in the section headed "Continuing Connected Transactions" of this annual report, no related party transactions disclosed in Note 48 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, 2020. 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, 2020.

Distributable reserves

Details of the movements in the reserves of the Company during the year ended December 31, 2020 are set out in Note 40 to the financial statements. There are no reserves available for distribution to Shareholders as at December 31, 2020.

Debentures

On July 9, 2020, the Company entered into a subscription agreement with various financial institutions in connection with the issue of USD600,000,000 3.125% Notes due 2025 (the "**2025 Notes**"). The 2025 Notes are listed on the Hong Kong Stock Exchange. For further details, please refer to the announcements of the Company dated July 10, 2020 and July 16, 2020 (the "**2025 Notes Announcements**").

On August 31, 2020, the Company entered into a subscription agreement with various financial institutions in connection with the issue of USD300,000,000 3.50% Notes due 2026 (the "**2026 Notes**"). On 12 October 2020, the Company issued USD100,000,000 3.50% Notes due 2026 (the "**Additional Notes**") consolidated and forming a single series with the 2026 Notes. The 2026 Notes and Additional Notes are listed on the Hong Kong Stock Exchange. For further details, please refer to the announcements of the Company dated September 1, 2020, September 8, 2020 and October 9, 2020 (the "**2026 Notes Announcements**")

Report of Directors

Use of proceeds

1. Use of 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 used for the purposes as set out in the Prospectus.

2. Use of proceeds from 2025 Notes

On July 9, 2020, the Company entered into a subscription agreement with various financial institutions in connection with the issue of the 2025 Notes. As at December 31, 2020, the Group had used approximately RMB1,640 million (equivalent to approximately USD252 million) of the proceeds from the 2025 Notes and 2026 Notes for working capital and general corporate purposes. There was no change in the intended use of net proceeds as previously disclosed in the 2025 Notes Announcements. The Company will gradually apply the remaining net proceeds in the manner set out in the 2025 Notes Announcements. The Company may adjust its plans in response to changing market conditions and, thus, reallocate the use of the proceeds.

3. Use of proceeds from 2026 Notes

On August 31, 2020, the Company entered into a subscription agreement with various financial institutions in connection with the issue of the 2026 Notes. On October 9, 2020, the Company issued the Additional Notes. As at December 31, 2020, the Group had used approximately RMB1,640 million (equivalent to approximately USD252 million) of the proceeds from the 2025 Notes and 2026 Notes for working capital and general corporate purposes. There was no change in the intended use of net proceeds as previously disclosed in the 2026 Notes Announcements. The Company will gradually apply the remaining net proceeds in the manner set out in the 2026 Notes Announcements. The Company may adjust its plans in response to changing market conditions and, thus, reallocate the use of the proceeds.

Charitable and other donations

Details of the charitable and other donations made by the Group during the year ended December 31, 2020 are set out in the section headed "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.

Subsidiary share option schemes

The subsidiaries of the Company, being ZATI, ZA Life and ZA Tech, each adopted a subsidiary share option scheme (the "**Subsidiary Share Option Schemes**", and each a "**Subsidiary Share Option Scheme**") on December 29, 2020. Each of the Subsidiary Share Option Scheme is valid and effective for a period of ten (10) years commencing from the respective adoption date and will expire on December 28, 2030.

A summary of the principal terms of the Subsidiary Share Option Schemes is set out below:

The purpose for each of the ZATI Share Option Scheme, ZA Life Share Option Scheme and ZA Tech Share Option Scheme is to enable ZATI, ZA Life and ZA Tech to grant share options of ZATI, ZA Life and ZA Tech, respectively, to their respective eligible participants as incentives or rewards for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the respective eligible participants of the Subsidiary Share Option Scheme.

Eligible participants for ZATI Share Option Scheme includes classes of persons, at the sole determination of the board of directors of ZATI, who have contributed or will contribute to the Group or invested entity, such eligible participants being (a) any full-time or part-time employees and senior management members of ZATI and directors of the Group; (b) any full-time or part-time employees of the holding companies of ZATI and/or its subsidiaries; (c) any consultant or service providers (whether professional or otherwise and whether on contractual, honorary basis or otherwise and whether paid or unpaid) who provides support to ZATI (where such consultant and service providers possess special skills or technical knowledge to fill the void currently experienced by the Group and is beneficial to ZATI's rapid business growth in the fintech sector); and (d) any full-time or part-time employees who are on transfer or secondment between ZATI, its holding company, any of its subsidiaries or joint venture entities (as the case may be).

Eligible participants for ZA Life Share Option Scheme includes classes of persons, at the sole determination of the board of directors of ZA Life, who have contributed or will contribute to the Group or invested entity, such eligible participants being (a) any full-time or part-time employees and senior management members of ZA Life and directors of the Group; (b) any full-time or part-time employees of the holding companies of ZA Life and/or its subsidiaries; (c) any consultant or service providers (whether professional or otherwise and whether on contractual or honorary basis or otherwise and whether paid or unpaid) who provides support to ZA Life (where such consultant and service providers possess special skills or technical knowledge to fill the void currently experienced by the Group and is beneficial to ZA Life's continuing development in the insurance sector); and (d) any full-time employee or part-time employee who are on transfer or secondment between ZA Life, its holding company, any of its subsidiaries or joint venture entities (as the case may be).

Eligible participants for ZA Tech Share Option Scheme includes classes of persons, at the sole determination of the board of directors of ZA Tech, who have contributed or will contribute to the Group or invested entity, such eligible participants being (a) any full-time employees and senior management members of ZA Tech and directors of the Group; (b) any full-time employees of the holding companies of ZA Tech and/or its subsidiaries; and (c) any full-time employees who are on transfer or secondment between ZA Tech, its holding company, any of its subsidiaries or joint venture entities (as the case may be).

The board of directors of each of ZATI, ZA Life and ZA Tech, respectively, determines the criteria for each type of eligible participants under each Subsidiary Share Option Scheme based on various commercial considerations including without limitation, seniority of an employee with internal grading of manager or above and whether the employee will have medium-to-long-term contribution to business development of ZATI, ZA Life and ZA Tech, respectively, and/or the Group. The board of directors of each of ZATI, ZA Life and ZA Tech, respectively, determines the criteria for the consultants and service providers under each of the Subsidiary Share Option Scheme based on the following factors: (i) the special skills or technical knowledge possess by such consultants and service providers, (ii) whether the consultants and service providers have contributed to the growth of the business development of ZATI, ZA Life and ZA Tech, respectively, and (iii) whether the consultants and service providers will contribute to the medium-to-long-term growth of the business development of ZATI, ZA Life and ZA Tech, respectively.

The maximum aggregate number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under a Subsidiary Share Option Scheme must not exceed ten (10) per cent of the issued share capital of ZATI, ZA Life and ZA Tech, respectively, as at the adoption date of the respective Subsidiary Share Option Scheme, subject to adjustment in the event of specified capitalisation events from time to time as described in the Subsidiary Share Option Schemes. As at December 29, 2020, the share capital for each of ZATI, ZA Life and ZA Tech is 2,100,000,000 shares, 1,000,000,000 shares and 30,000,000 shares, respectively. The maximum number of shares that can be issued pursuant to the respective Subsidiary Share Option Scheme's limit for each of ZATI Share Option Scheme, ZA Life Share Option Scheme and ZA Tech Share Option Scheme is 210,000,000 shares, 100,000,000 shares and 3,000,000 shares, respectively. No share options may be granted under the respective Subsidiary Share Option Scheme if this will result in such limit being exceeded.

The board of directors of each of ZATI, ZA Life and ZA Tech (through its administration committee) shall determine the exercise price for each of the share options of ZATI, ZA Life and ZA Tech at the time of grant and specify the respective exercise price in the offer letter of ZATI, ZA Life and ZA Tech, respectively, in compliance with any applicable Listing Rules and laws from time to time.

The exercise price in respect of any share options for each respective Subsidiary Share Option Scheme shall, subject to any adjustments made in the event of the reorganization of capital structure, be a price set with reference to the net asset value per underlying share of the respective Subsidiary on the date of grant of the share option to be determined by the board of directors of each of ZATI, ZA Life and ZA Tech, respectively.

In the event that ZATI, ZA Life and ZA Tech, respectively, resolves to seek a separate listing of its shares on the Stock Exchange or an overseas stock exchange, the exercise price of any share options in that respective Subsidiary Share Option Scheme granted after such resolution to the listing date of ZATI, ZA Life and ZA Tech, respectively, shall not be lower than the new issue price (if any). In particular, any share options in that respective Subsidiary Share Option Scheme granted during the period commencing six (6) months before the lodgment of the listing application and up to the listing date of ZATI, ZA Life and ZA Tech, respectively, shall not be lower than the new issue price.

No payment is required to accept an offer.

Report of Directors

Further details of the Subsidiary Share Options Schemes is set out in the circular of the Company dated December 11, 2020.

Details of the movements of the options granted under the Subsidiary Share Options Schemes during the year ended December 31, 2020 are as follows:

				Number of options				
Subsidiary Share Option Scheme	**Date of grant**	**Option period**	**Exercise price**	**Outstanding as at January 1, 2020**	**Granted during the Reporting Period**	**Exercised during the Reporting Period**	**Cancelled/ Lapsed during the Reporting Period**	**Outstanding as at December 31, 2020**
ZATI, Share Option Scheme	December 31, 2020	10 years from the date of grant	HK$1.3418 per ZATI share	—	Options representing the rights to subscribe for a total of 109,951,100 ZATI shares	—	—	Options representing the rights to subscribe for a total of 109,951,100 ZATI shares
ZA Life Share Option Scheme	December 31, 2020	10 years from the date of grant	HK$1.171 per ZA Life share	—	Options representing the rights to subscribe for a total of 27,484,500 ZA Life shares	—	—	Options representing the rights to subscribe for a total of 27,484,500 ZA Life shares
ZA Tech Share Option Scheme	December 31, 2020	10 years from the date of grant	HK$9.3989 per ZA Tech share	—	Options representing the rights to subscribe for a total of 2,268,000 ZA Tech shares	—	—	Options representing the rights to subscribe for a total of 2,268,000 ZA Tech shares

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, 2020 are set out in Note 35 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 during the year ended December 31, 2020.

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, 2020.

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 or until the expiration of the term of the third session of the Board/Supervisory Board.

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, 2020.

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, 2020, 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, 2020, 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

March 23, 2021

Report of the Supervisory Committee

The work of the Supervisory Committee

During the Reporting Period, the Supervisory Committee held eight 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	8	8	0	100%
2	Shareholder Representative Supervisor	November 14, 2014	Baoyan Gan	8	8	0	100%
3	Employee Representative Supervisor	May 14, 2018	Haijiao Liu	8	8	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 2020. The consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020. 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 2020, the Supervisory Committee has heard and reviewed the Resolution on Management Letter of the Company for 2019 (《關於公司2019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 2019" (《關於<公司2019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 2019" and the Resolution on "the Due Diligence Report of the Independent Directors of the Company for 2019", 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 2020 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.

(8) Annual supervisor investigation

In January 2021, the members of the Supervisory Committee participated in the annual supervisor investigation activity organized by the Company. Supervisors listened to reports including Report on the Comprehensive Risk Management for the First Three Quarters of 2020, the Annual Report on Consumer Rights Protection of 2020, the Annual Report on the Asset and Liability Management of 2020 and the Application of Data in Remote Auditing, and comprehensively reviewed the works including risk management, consumer rights protection, asset and liability management and internal audit, which laid a solid foundation for the Supervisory Committee to actively perform its supervision duty in the future.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

1. About this ESG Report

This is the fourth Environmental, Social and Governance report (this "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"), summarising the affairs between the Group and the majority of its stakeholders with the aim to provide them with a comprehensive picture of the Group's vision and commitments for CSR besides financial performance.

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 scope and the content of this ESG Report are in compliance with the disclosure principles under the Guide.

Reporting period and boundary

This ESG Report covers the Group's practices in sustainable development and its overall achievement in fulfilling CSR during the period from January 1, 2020 to December 31, 2020 (the "Year"). Unless otherwise specified, the scope of this ESG Report includes core businesses directly controlled by ZhongAn, and the "Group" stated in this ESG Report refers to ZhongAn and its subsidiaries.

Reporting language

This ESG Report is published in Traditional Chinese and English versions. If there is any ambiguity in their contents, the content in the Traditional Chinese 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 ESG Report are very important us. If you have any enquiries or recommendations, please contact us via e-mail at dongshihui@zhongan.com.

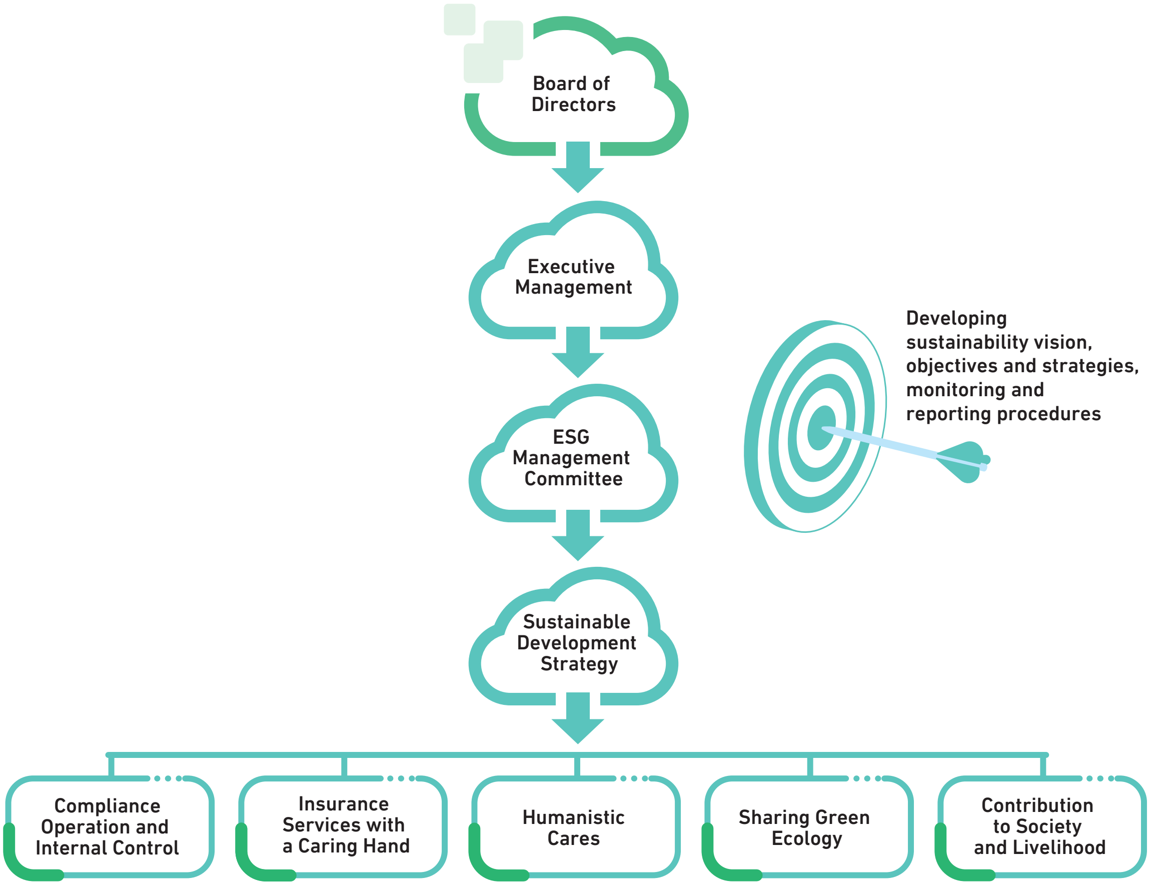
2. Environmental, Social and Governance Management

2.1. Sustainable Development Strategy

True to our mission of "empowering the finance business with technologies and providing insurance services with a caring hand" and our two-winged 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. We fully understand the importance of effective ESG practices at the operational level, hence the Group continues to communicate with stakeholders (including shareholders, customers, employees, suppliers, regulatory authorities, and the public) through different channels to consider their expectations, and to formulate a sustainable development strategy for the Group.

2.2. ESG Management Committee

ZhongAn appreciates the importance of environmental, social and governance towards the Group's development of sustainable business. As such, the Environmental, Social and Governance Management Committee (the "ESG Management Committee") has been established since 2017 with clear terms of reference to facilitate the Board's discussions on ESG management approach and strategy, including the process of evaluating, prioritizing and managing material ESG-related issues (including risks to the issuer's businesses), and the Board also reviews progress against ESG-related targets. The ESG Management Committee is chaired by Xing Jiang, the provisional person-in-charge, who is the acting general manager and Chief Executive Officer of the Group. Yongbo Zhang is the vice-chairman of the ESG Management Committee, who is the vice general manager, chief legal officer, chief risk management officer, and compliance director of the Group. While there are also members of the ESG Management Committee comprise of persons-in-charge and representatives from various major departments.



The ESG Management Committee's main responsibilities are as follows:

- Identify the risk and impact of relevant ESG issues to the Group;
- Evaluate the identified risks in the circumstances of corporate development;
- Formulate risk management policies and strategies for the most material ESG issues faced by the corporation;
- Set targets and collect the appropriate and relevant data at regular interval in order to verify their effectiveness;
- In charge of self-inspection and the monitoring of the Group's ESG policies and practices;
- Ensure that the Group meets the relevant legal and regulatory requirements, observing and responding to the latest environmental, social and governance issues; and when appropriate, relevant recommendations will be made to the Board to enhance the Group's environmental, social and governance performance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

Corporate ESG policy

The Group strictly complies with the environmental protection laws and regulations where it operates, while also proactively reduces its direct and indirect emissions of air pollutants, greenhouse gases and other ozone-depleting substances, and sets emissions reduction targets where appropriate, checking the relevance of the targets without delay, reviews its progress, paying continuous attention to post-review improvement process, in order to make great strides towards improvement of the environmental, social and governance measures and performance.

2.3. Communication with stakeholders

Communication with each of the stakeholders is a matter of great importance to the Group. During the Year, we had identified six major stakeholder types - namely shareholders and investors, regulatory authorities, customers, employees, business partners and non-governmental organizations. We listen with an openminded and proactive attitude towards the expectations and aspirations of stakeholders, and in response to their needs put into action our key ESG issues and set corresponding goals.

Major stakeholders	Expectations and aspirations	Main communication methods
Shareholders and investors	➢ Operational compliance ➢ Return on investment ➢ Protection of shareholder's rights ➢ Correctness and timeliness of information disclosure	➢ General meetings ➢ Annual reports, announcements, etc. information in the public domain ➢ Telephone/email enquiry through website ➢ "Investor relations" column ➢ Investor's resolution
Regulatory authorities	➢ Maintaining financial stability ➢ Promoting economic development ➢ Supporting community livelihood	➢ Compliance reports ➢ Responses to public consultation in writing ➢ Involved in community activities
Customers	➢ Providing convenient, fast and quality insurance services and products ➢ Improving user satisfaction ➢ Products Liability	➢ 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 staff benefits ➢ Safe working environment ➢ Vocational training ➢ Career development and opportunities	➢ Performance assessment ➢ Staff activities ➢ Training and Seminar ➢ Employee research ➢ Employee representative conference
Business partners/ suppliers	➢ Integrity and mutual benefit ➢ Fair purchase	➢ Supplier evaluation system ➢ On-site visits ➢ Meetings
Community/Environment/ Non-governmental, organizations	➢ Job opportunities ➢ Promoting social harmony ➢ Supporting charity activities ➢ Reduce pollutants and greenhouse emissions	➢ Charity activities ➢ Seminars/lectures/workshops ➢ Environmental protection campaigns

We communicate with these different types of stakeholders through a variety of channels to help us understand their opinions and expectations towards the Group, building the long-term relationships and mutual trust needed to determine the scope of this ESG Report. Furthermore through these communication, we can understand in a timely manner the views and expectations of investors and the capital market towards the Group. We arrange for the management and staff of various departments of the Group to review their operation and identify relevant ESG issues in their functions. After careful analysis by the Board and the management and assessment of the importance and relevance of these ESG issues to our company, the results of the materiality assessment are as follows:

Environment

1. Compliance operational
2. Greehouse gas emissions
3. Air pollution
4. Hazardous/ non-hazardous waste management
5. Energy use
6. Water resource
7. Sewage disposal

Employee

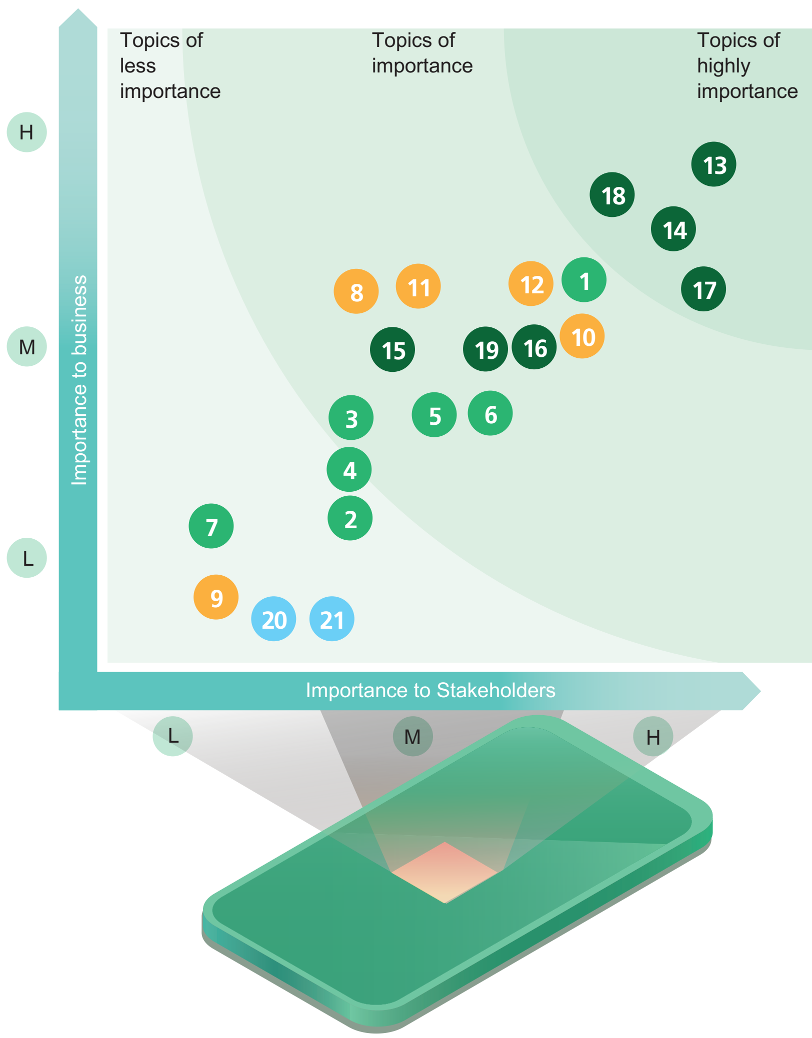
8. Salary and welfare
9. Health and safe
10. Training and development
11. Corporate culture
12. Career development

Business

13. Reasonable payout
14. Claim disposal
15. Intellectual property
16. Supplier chain management
17. Consumer Privacy
18. Anti-corruption
19. Brand reputation

Community

20. Community service
21. Charity



ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

On the basis of these results, the Group will continuously improve its ESG performance to meet the expectations of stakeholders, and respond to the corporate risks challenges. We have categorised the details of our ESG work and KPIs that are considered relevant to the Group as per the Guide into the five areas: "Operational Compliance and Internal Control","Technology Leader in the Insurance Industry—Providing Insurance Services with a Caring Hand", "Humanistic Cares", "Sharing Green Ecology" and "Contribution to Society and Livelihood". These areas are integrated in the development of our business to attain a sustainable future in our operations.

Sustainable Development Strategy

Compliant Operation and Internal Control

True to the principle of "Honesty and Trustworthiness", the Group provides customers with high-quality insurance products and services with a caring hand

Providing Insurance Services with a Caring Hand

With the mission of "driving financial development through technology and introducing service-oriented insurance products to the market", the Group is committed to creating real and long-term value for its Shareholders and investors

Humanistic Cares

With the commitment of "People First", the Group provides employees with competitive remuneration and a broad career path

Sharing Green Ecology

The Group actively conducts green operation to reduce greenhouse gas emissions, save energy and make good use of resources, with the aim to reducing environmental impact from its business

Contribution to Society and Livelihood

While pursuing business development, the Group strives to provide insurance to the society and contribute its part to a harmonious society

3. Operational Compliance and Internal Control

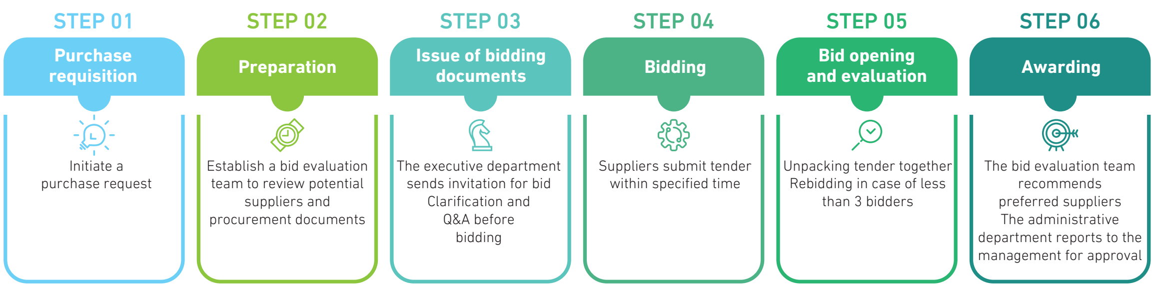
The Group strictly complies with all the laws and regulations of the locations in which it has operations, conducting businesses with prudence in mind. We strengthen our internal controls through lean operational management and standardized corporate governance, and through our commitment to providing our customers with high-quality insurance products and services with caring hand, we safeguard their legitimate rights and interests as well as those for the Group.

3.1. Compliance operation

Supply chain management

The Group regards supplier management as material topic of importance. We have a "Procurement Management Policy" (《採購制度管理規定》) which helps to manage the compliance of procurement processes and other related activities at ZhongAn. It also helps to improve work efficiency and quality, reduce procurement costs, and ensure that procurement workflows progress as expected. The routine procurement work and the execution of supplier management is the responsibility of ZhongAn's administrative management department, who is responsible for establishment of a procurement governance structure, implementing supplier management procedures such as new-join review approval, classification by type and by their ratings, suppliers assessment and supply monitoring, etc. In choosing suppliers we take into consideration factors including their qualifications, quotations, service abilities, service timeliness and the design of their service plan. Furthermore, we proactively enquire and evaluate the social responsibility undertaking of suppliers, so as to raise awareness of their obligation. 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》), that requires the signees to make a promise to abide by the principles of "Professionalism, Independence, Objectivity and Fairness, Faithfulness and Integrity" while discharging their project tender evaluation duties.

ZhongAn's Bidding Procedure



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 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 behaviors or disreputable actions. When choosing suppliers we prioritize those suppliers of products or services which are more environmentally friendly, with different projects having different environmental protection requirements, for example in renovation and furniture projects, the materials use for training tables and chairs will be required to meet the national E0 standard.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

During the Year, the Group's business was conducted with more than 87 major suppliers (2019: 110) and their regional distribution by product and service is as follows:

Type/Area	Beijing	Shanghai	Shenzhen	Hangzhou
Administrative service	7	36	6	5
Administrative engineering	1	11	3	3
Lease	—	14	1	-

3.2. Risk management

To strengthen its compliance management and comprehensive control of various risks, 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》). While the Board is ultimately responsible for the compliance and risk management of the Group, the functional departments and business divisions of ZhongAn serve as the first line of defense with respect to compliance and risk management, and are assumed to have the direct and primary responsibilities for the management of these matters within their respective scope of duties. Hence, at the front line of the Group's business they are required to identify, analyse, evaluate, respond, monitor and report these risks. The legal and compliance department, Risk Management Committee and the risk management department serve as the second line of defense, who are responsible for organizing, coordinating and supervising various departments to formulate relevant management policies and systems, etc. The Audit Committee of the Board and the internal audit department act as the third line of defense, responsible for the overall monitoring of the compliance and risk management processes and related activities.

Compliance and risk management system

The Group's risk management measures are as follows:

➢ Establish and improve a modern risk management system with "pre-event risk identification and prevention, mid-event risk monitoring and improvement, and post-event risk supervision and rectification" to provide the Board and operational management comprehensive surety to achieve business objectives and strategy implementation;

➢ Adopt appropriate risk management methodologies and techniques to ensure that internal control is compliant, effective and meets the needs of the management, and that risks are effectively prevented;

➢ Integrate risk management culture into the entire corporate culture construction process, create a risk management atmosphere at all levels of the corporation, enhance the risk management awareness among employees, and transform this risk management awareness into the common understanding and the conscious actions of every employees, and facilitate the establishment of systems, norms and highly effective risk management mechanism.

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》), and is proactive in pursuing measures to fight corruption.

We established various anti-money laundering policies such as "Normative Guidelines on Information Collection and Verification of Anti-Money Laundering Parties" (《反洗錢當事人信息採集與校驗規範性指引》), "Implementation Rules for Confidentiality of Anti-Money Laundering Information" (《反洗錢信息保密工作執行細則》), and "Anti-Money Laundering Risk Assessment and Customer Classification Management Regulations (Provisional)" (《反洗錢風險評估及客戶分類管理規定 (試行)》), and "Integrity Safety Management System" (《廉政安全管理制度》), etc. We also released new policies during the Year, namely "Measures for the Risk Management of Anti-Money Laundering and Anti-Terrorist Financing of Internet Insurance" (《互聯網保險反洗錢和反恐怖融資風險管理辦法》) and "Guidelines on anti-money laundering blacklist practice and system monitoring" (《反洗錢黑名單實務與系統監測指南》). The Group established a customised customer identification regime that takes all the technical means necessary to embed these requirements into the business processes and operating rules to ensure the security of transactions. In addition to submitting suspicious transaction reports to the China Anti-Money Laundering Monitoring and Analysis Center in accordance with the relevant provisions of the People's Bank of China in a timely, accurate and complete manner, the Group also pays attention to the monitoring and analysis processes themselves, on whether or not these can be audited and interpreted. In addition, the Group takes anti-money laundering training as an important part of employee training to improve employees' understanding of anti-money laundering regulations and their ability to implement them. In 2020, we organized special training on the prevention of illicit fund-raising, which covers the definition of illicit fund-raising, analysis of relevant cases and how to prevent and combat illicit fund-raising.

In order to strengthen the Group's unassailable integrity governance and internal control, reduce corporate risk, standardize management, safeguard its legitimate rights and interests, the Group has now formulated the "ZhongAn Integrity Governance Management Policy" in accordance with company's business objectives, laws and regulations applicable to listed companies, and the requirements and provisions from the regulators governing the securities market. The Group has set up a integrity governance department as a standing body to cultivate good governance and work against corruption, while other departments support this department to work together in governance and anti-corruption work. Firstly, we start from the corporate environment, on the premise of taking precaution we build an appropriate organizational structure, conduct corrective guidance from the perspective of values, advocate the corporate culture of integrity, honesty, positivity and integrity, and create an atmosphere of honesty and a culture of "don't want to corrupt". Secondly, we insist on "zero tolerance" for corruption. We have a frictionless complaint reporting channel, to uncover any instances of corruption. During the Year, the Group was not aware of any litigation or any case involving corruption, bribery, extortion, fraud or money laundering brought against the Group or its employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

4. Technology Leader in the Insurance Industry—Providing Insurance Services with a Caring Hand

4.1. Industry recognition

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

Awards received by ZhongAn:

Award product	Award	Awarding organizations/institutions
Personal travel policy (飛享e生)	《FAT》Best blockchain landing scenes of the year	Odaily (星球日報)
–	The most influential blockchain innovation of the year (年度最具影響力區塊鏈技術創新獎)	Yiqu caijing (易趣財經)
–	Top 5 financial enterprise services (金融類企業服務Top 5)	KAIFA (深科技)
–	Top 10 insurance technology innovation enterprises (保險科技創新企業10強)	InsurView (保觀)
–	Best service provider (金保獎保險科技最佳服務提供商)	Zensee Consulting (瞻仕諮詢)
–	China's top 100 insurance technology companies in 2020 (2020中國保險科技100強)	INSLAB (分子實驗室)
–	World AI Conference "Top 50 Global Blockchain Innovations 2020" (世界人工智能大會"2020全球區塊鏈創新50強")	World AI Conference (世界人工智能大會)
–	Best service provider of insurance technologies (保險科技最佳服務提供商)	Zensee Consulting (瞻仕諮詢)
–	Top 30 privacy computing industry in 2020 (2020隱私計算產業30強) Privacy computing application scenarios most powerful enterprises in 2020 (2020隱私計算場景應用最具實力派企業)	Suanli Think Tank (算力智庫)
–	2020 IDC China Fintech 50 list (2020 IDC中國Fintech 50榜單)	IDC
–	2020 FAT "Blockchain FinTech Top 100" (「區塊鏈金融科技領先100強」)	Odaily (星球日報)
–	Today Insurance Agents List "Insurtech Unicorn of the Year" ("今日·保險中介榜"年度Insurtech獨角獸獎項")	Insurance Today (今日保)
–	China fintech list top 50 in 2020 (中國金融科技榜單2020 50強)	KAIFA (深科技)
–	China's insurance industry awards in 2020 (2020中國保險行業風雲榜)	National Business Daily (每日經濟新聞)

Awards received by ZhongAn:

Award product	Award	Awarding organizations/institutions
–	Top 100 InsureTech of China in 2020 (2020中國保險科技100強)	INSLAB (分子實驗室)
–	Innovation health insurance product in 2020 (2020健康保險產品創新獎)	ChinaTimes (華夏時報)
–	Star of internet insurance in 2020 (2020互聯網保險之星)	The Economic Observer (經濟觀察報)
–	Fintech company of the year (《每日經濟新聞》"年度優秀金融科技公司")	National Business Daily (每日經濟新聞)
–	Best PR team of year (格隆匯年度最佳PR團隊獎)	Gelonghui (格隆匯)
Personal Clinic Policy (Outpatient and Emergency version)尊享e生2020 (門急診版)	Outstanding innovative insurance product of the Year ("金理財"年度創新型保險產品卓越獎)	Shanghai Securities Journal (上海證券報)
–	China's compensation and benefit supplier of value in 2020 (格隆匯-2020中國薪酬與福利供應商價值大獎) Preferred provider of health insurance in 2020 (2020中國健康保險臻選供應商大獎)	Gelonghui (格隆匯)
–	Top 10 medical technology companies with the most investment value in 2020 (2020年度最具投資價值醫療科技企業TOP10)	leiphone-sz (雷鋒網)

Awards received by Nova Technology:

Award product	Award	Awarding organizations/institutions
–	Top 100 insurance technology companies in 2020 (2020中國保險科技100強)	INSLAB (分子實驗室)

Awards received by ZhongAn International:

Award product	Award	Awarding organizations/institutions
–	Global Retail Banking Innovation Award (環球零售銀行創新大獎活動) Best Frictionless Customer Experience (最流暢用戶體驗) Best App for Customer Experience (最佳用戶體驗 App)	The Digital Banker
–	Best Insurance Technology Innovation in 2020 (2020優秀保險企業大獎活動最佳保險科技創新)	iMoney (智富雜誌)

* Not labeled product is company obtain award

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

4.2. Insurance Product with a Caring Hand

Since ZhongAn's launch of the "Exclusive national medical insurance series: Personal Clinic Policy" ("國民醫保尊享系列: 尊享e生") in 2016, with 19 improvements in the 5 years period, we are true to our commitment in providing medical insurance for 100 million people. Since "Personal Clinic Policy" entered the market, the scope of protection of the product has continuously expanded, and the specific coverages are also strengthened. According to statistics, approximately one out of every six Insurance policies is from ZhongAn. As the "Personal Clinic Policy" series are gradually connected to the ZhongAn Internet Hospital. This indicates a trend that tens of millions of medical insurance is extending from merely health insurance protection to health management and medical services, and a testament of ZhongAn's use of "warm" technology as a caring hand to "light up" new insurance services.

The "Personal Clinic Policy" series has completed the full coverage era of 1.0, towards the 2.0 era of convenient service experience, and metamorphose further to a 3.0 era of personalized customized solutions. The "Personal Clinic Policy" series entered the market in August 2016, and since then this product has continuously improved on the access to insurance coverage, its medical health services, and the granularisation of its protection. While changing the "uninsurable" to "insurable", it has also completed time and time again the promotion of public health, and let the "low frequency" insurance protection in past extends to " high frequency" health services.

4.3. Empowering finance business with technology

True to our mission of "empowering finance business with technology and providing insurance services with a caring hand", adhering to the values of "simplicity, speed, breakthrough and win-win", the company will continue to brave the wind and the billows and forge ahead to open up a real new insurance era.

The Group has committed to redefining insurance through technology by offering personalized, customized and intelligent insurance services and products that create value for customers. We continued to increase R&D investment in the Insurtech and fintech sectors, and leverage our technological capabilities in artificial intelligence, big data and cloud computing, etc., and our mature and rich range of online insurance products, through marketing, customer service and efforts in other areas improve user experience. Empowering the insurance value chain with technology. Ecosystem oriented, through the ecosystem partner's platform and our own platform, from the beginning of customers' internet livelihood, to satisfy the diverse insurance needs of customers.

4.4. Valuing client feedback

Customer opinion is an important source of feedback for the Group. Pursuant to the Measures for the Handling of Reports of Banking and Insurance Violations (《銀行保險違法行為舉報處理辦法》), 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 Administrative Measures for Handling the Complaints of Insurance Consumption (《保險消費投訴處理管理辦法》), the Administrative Measures for reporting information about Emergency in the insurance industry (《銀行業保險業突發事件信息報告辦法》), the Financial Administrative Measures for the Response to Emergency in the Banking and Insurance industry (《銀行保險機構應對突發事件金融服務管理辦法》) issued by the CBIRC. We have formulated "ZhongAn Customer Complaint Management Policy" (《眾安保險客戶投訴管理規定》) and "ZhongAn Emergency Response Plan for Major Complaints" (《眾安保險重大投訴緊急處理預案》). First of all, we clarify the scope of these major complaints and their risk levels, and handle them using a variety of measures according to the nature of these different complaints. The Group then set up an emergency response team and starts an after-the-fact investigation mechanism, then trace responsibility in accordance with the Regulations on the Accountability of Consumer Complaints (Provisional) (《眾安保險消費者投訴責任追究管理規定 (暫行)》), In addition, the Group also organizes irregular emergency training to form a relatively complete and standardized working mechanism for resolving complaints. During the Year we had received a total of 3,523 complaints, a decrease of 7.24% from the same period in 2019 (3,798), which have all been properly handled.

During the Year we also issued policies relevant to regulating consumer's complaints handling such as the "ZhongAn Regulations on the Protection of Consumer Rights" (《眾安保險消費者權益保護管理規定》), the "ZhongAn Administrative Measures for Complaint Settlement Payment" (《眾安保險投訴安撫金管理辦法》), the "ZhongAn Administrative Measures for Assessment on Protection of Consumers' Rights and Interests" (《眾安保險消費者權益保護考核規定》). Our consumers' rights protection centers on the insurance consumers themselves, under the principle of striving together to act accordance with the law and fairness, and to be transparent and act with openness, with the full respects and conscious protection of the basic rights of insurance consumers, such as the right to property safety, the right to know, the free right to choose, the right to fair trade, the right to claim compensation according to law, the right to education, the right to be respected, the right to information security, etc., and safeguarding the legitimate rights and interests of insurance consumers in accordance with the law.

There were more we have done in valuing our customers' opinions. On March 27, 2019, the same day the Hong Kong Monetary Authority issued virtual banking licences, ZhongAn International established ZA Fam[note 1]. It had invited a group of people interested in fintech to join us as a partner to participate in the early discussion and development process of product design. Before the official launch, we had arranged a number of online and offline events to enable ZA Fam to communicate directly with our team to provide them with advice on existing banking experience and virtual banking. The ZA Bank App[note 2] you see is the result of our joint efforts with ZA Fam. In addition, we also listen to our users through different channels, including social media, ZA Fam, email and customer hotline. Here are some examples:

➢ Customize the card number of the Visa card according to the user's preferences, allow users to choose the last 6 digits of the bank card number to meet the special needs of users.

➢ Many users said that although we are a virtual bank, they still hope that we can support cash withdrawal services. So just six months after opening, we created the ZA Card[note 3] for users to withdraw cash for free at more than 3,000 bank ATMs across the city.

➢ ZA Fam members indicated that they had entered the wrong payer information when making a transfer because they were moving too quickly. That's why we've created a 5-second recall feature that gives users a 5-second chance to withdraw instructions after confirming the transfer.

➢ During our exchange with ZA Fam, we noticed that everyone had an urgent demand for real-time loan products, and they have also expected the virtual bank to provide innovative loan services. Hence, we created the first 30-minute loan commitment in Hong Kong. From the submission a completed loan application and relevant documents to obtaining the approval result by the applicant, the whole process can be completed within 30 minutes. If the applicant's waiting time exceeds 30 minutes, we will give a cash rebate of HK$10 per minute based on the additional waiting time. The cash rebate will accumulate until the bank provides the final approval result, and the upper limit is HK$500.

We attach great importance to the opinions of our customers. We have always stood by the users. Even during the epidemic, we communicate with users and ZA Fam members through regular Facebook live broadcasts and answer their questions in real time. Social media has become an important tool for us to communicate with users and collect opinions.

Note 1: ZA Fam is a seed-user community operated by ZhongAn International Financial Services Co., Ltd. It is committed to bringing a new financial services + digital life experience to the public through the "User Co-creation" model.

Note 2: ZA Bank App is an online financial services app launched by ZhongAn Virtual Finance Limited, a company that is a wholly-owned subsidiary of ZhongAn Technology International Group Limited, that had been issued a virtual banking license from Hong Kong Monetary Authority.

Note 3: ZA Card is an annual fee-deductible card introduced by ZhongAn Virtual Finance Co., Ltd.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

4.5. Consumer information protection

The Group strictly complies with laws and regulations relating to information security, including the Regulation on the Implementation of the Law of the People's Republic of China on Guarding State Secrets (《中華人民共和國保密法》), and those requirements issued by the CBIRC, namely 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》), putting business information security high on the agenda. The Group formulated Regulations for Information Security and Compliance Management (《信息安全合規管理規定》), Regulations for Information Security Incident Management (《信息安全事件管理規定》), Regulations for Digitised Work Management (《信息化工作管理制度》) and Information Security Management Strategy (《信息安全管理策略》) to facilitate the Group to manage the collection, use and storage of all types of data, formalised the work of information security management, ensuring the availability, integrity and confidentiality of information, enabling the comprehensive protection customer privacy.

We also formulated the "employee information security guidelines" to regulate employees who have access to company data, such as computer and software use requirements, safe internet usage requirements, safe e-mail usage requirements, removeable storage device safe usage requirements, as well as ensuring the security of data and documents. In addition, employees need to be actively involved in the organization of information security awareness or information security skills training, to improve staff awareness in information security.

We also adhere to the following information security principles in protecting our customers' privacy:

➢ Purpose principle: the use of personal information shall have a lawful, appropriate, necessary and clear purpose;

➢ Principle of selective consent: before collecting, saving or using such activities as processing the personal information of users, the user should be expressed in the form of a privacy statement about the purpose, manner, scope, rules, etc. of the processing of personal information, and obtain the authorized consent of the customer in the course of customer interaction;

➢ Principle of essential content: unless otherwise agreed with the user, only the necessary type and amount of personal information will be obtained and retained. Personal information and types, including those required by regulatory requirements such as customer identification, those required for customer service, and those needed for the purpose of granting credit to customers;

➢ Principles of safety assurance: adequate administrative measures and technical means should be taken to protect the confidentiality, integrity and availability of personal information.

4.6. Respecting intellectual property rights

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. In order to strengthen the protection of the Group's intellectual property rights, regulate the work of intellectual property rights management in accordance with relevant laws and regulations, we have also formulated "Administrative Measures for External Release of Business Data and Information (Provisional)" (《對外業務數據信息發佈管理辦法(試行)》) and "Regulations on Intellectual Property Rights Management" (《知識產權管理規定》). The Legal Compliance Department deals with intellectual property rights supervision, while each of the other departments deals with the administrative aspects of intellectual properties. The measure clarifies the need to have different management practices for different types of intellectual property rights, and the exercise of prudent principle, to protect the intellectual property rights, patents, copyrights and trademark rights and other lawful rights of the Group as well as the third parties. We also ensure that complete, true and accurate product information is delivered to the public in advertisements, and avoid using false or misleading product descriptions to deceive customers.

5. Humanistic Cares

ZhongAn values talent development, and employees are our business's most valuable asset. To nurture these talents we have a "Human Resources Management Policy" (《人力資源管理制度》) and "Employee Handbook" (《員工手冊》) that clearly describe the management procedures for recruitment, remuneration and welfare, vacation and attendance, performance, training and development, that strengthen the overall human resources management, effectively protect rights and interests of employees, continuously improve employee's welfare, and enhance their sense of belonging. As of December 31, 2020, the Group had a total of 3,033 employees.

5.1. Equal employment

ZhongAn complies strictly with laws and regulations relating to labor and employment, including the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), Labor Contract Law of the People's Republic of China (《勞動合同法》), Law of the People's Republic of China on the Protection of Minors (《未成年人保護法》) and Provisions on the Prohibition of Using Child Labor (《禁止使用童工的規定》). We provide a working environment characterized by harmony, inclusiveness, equality, non-discrimination and non-exploitation. We have formulated the "Human Resource Management Policy" (《人力資源管理制度》), included in the policy is the management of recruitment, probation periods, performance evaluation, ranks and promotions, remuneration and welfare, organization structure, internal transfers and leave and attendance management. The Group conducts 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, color, religion, age, gender, disability, family status and other status under legal protection do not affect employment opportunities. During recruitment, companies must check the identity card of the recruited person and will not employ child labour of less than 16 years old. Companies shall properly keep the recruitment registration and verification materials of recruited employees. In case child labour is uncovered, such irregularity will be addressed as stipulated by the laws, which includes the following measures: the relevant personnel shall be subject to heavy penalties, the child labour concerned should be sent to his/her original place of residence and handed to their parents or other guardians within the stipulated period and others. In addition, the Group has also made clear rules on employees' standard working hours to ensure that they enjoy sufficient rest time, which can avoid any incident of forced labor. During the Year, the Group had violated no laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, equal opportunity, diversity, anti-discrimination, and prevention of child or forced labor. The Group had no cases of child or forced labor during the Year.

5.2. Employee remuneration and benefits

The Group provides employees with competitive remuneration and benefits in order to attract and retain talent. Under our "Employee Performance Management System" (《員工績效管理制度》), it is oriented towards the improvement of employee performance and quantitative/qualitative targets, and by multi-dimension appraisals such as the performance of company core values in the "Performance Management System" (《績效管理制度》). Meanwhile, to be truly fair, just, and open, we need continuous assessing, responding and tutoring. 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.

In terms of employee benefits, we have established a system of employee welfare management (《員工福利管理制度》). ZhongAn provides social insurance coverage such as the basic pension insurance, basic medical insurance, work injury insurance, unemployment insurance and maternity insurance, as well as the housing fund contributions for employees in accordance with national and local regulations in China. We also use our advantage serving in the insurance industry, to provide group medical insurance which includes supplementary medical insurance, accident insurance, etc. providing additional health benefits for employees. We also provide in-service benefits for staff include meals, communication subsidies, overtime work meals, company transportation 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 March 8, etc. and sends congratulations, gifts and monies to employees on special occasions such as their birthdays, weddings and births.

To ensure the appropriateness of these policies, the Group maintains close communication with employees and regularly reviews matters related to 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

5.3. Valuing talent development

In order to tie in with ZhongAn's development goals, improve performance and quality of our staff, we encourage employees to acquire more knowledge and skills from their daily work. At the same time, the Company combines the overall business with the needs of employees' own development to provide different kinds of classroom-style training. The chapter on development and training in the staff handbook standardizes the implementation and management of training for all levels of personnel, and continues to improve the talent 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. Examinations will be arranged after the training to ensure its effectiveness, so as to truly help employees to develop their potential and maintain the Group's competitiveness. During the Year, the Group organized more than 20 training sessions which amounted to more than 500 training hours with nearly 1,000 employees participants.

Training	Description
Orientation for new employees	Different training for new recruits and recuits from school campus. The training takes various form such as development activities, sharing by internal guests, and discussion. We can help new employees quickly understand ZhongAn's strategy and business, deepens their experience and adaptation to ZhongAn culture, strengthen the connection between new employees and the organization, and accelerate the integration and growth of new employees.
Professional	A combination of internal sharing, internal training, and appointment of external institutions which are provided for professional employees, including but not limited to professional and general skills.
Management	Mainly three types of activities: Simon class, "Tianxingqijian" ("天行七劍") class and management forum. The Simon class is specially for the management, which uses a combination of internal sharing and external training to enhance the business thinking pattern, leadership development, and strengthen the connection and collaboration between core managers. The "Tianxingqijian"class is a project that precipitates ZhongAn's management concepts and methods. As a necessary course for ZhongAn's management, it unifies and solidifies the basic management concepts, and enhances basic management capabilities. The management forum focuses on the core topics of management and carries out special issues and experience exchanges.
Policy and regulatory	Internal training and online learning to help all employees understand industry compliance requirements.
For drectors, 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 strictly 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 Work Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), the Provisions on the Supervision and Administration of Occupational Health at Work Sites (《工作場所職業衛生監督管理規定》), Regulation on Work-Related Injury Insurance (《工傷保險條例》), and pays attention to the health and safety of employees.

The Group maintains a safe and hygienic working environment. Employees should take good care of their personal health. If they suffer from infectious diseases or serious diseases, they should follow medical advice for treatment. The Group does not encourage working beyond personal ability at the cost of health. If staff are not feeling well, they should communicate with the superiors in a timely manner for solutions. In the event of an emergency, the staff should obey the arrangement of the company to protect the company's interests. We arrange annual staff physical examinations, subsidised health clubs, and various activities organized and supported by staff themselves. We contribute to staff a safe, healthy and caring working environment that has adequate work and life balance. During the Year, we did not violate any law or regulation relating the provision of a healthy and safe working environment, and the protection of employees from occupational hazards. There were 44 days sick-days due to work-related injuries during the Year, and there were no work-related death accidents during this period.

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, 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 Regulations of Shanghai Municipality on Municipal Solid Waste Management (《上海市生活垃圾管理條例》), Regulations of Shanghai Municipality on Environmental Protection (《上海市環境保護條例》), Regulations of Shanghai Municipality on the Management of Water Resources (《上海市水資源管理若干規定》), Regulations of Shanghai Municipality on thePrevention and Control of Atmospheric Pollution (《上海市大氣污染防治條例》). The Group had not violated any environmental laws or regulations during the Year.

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. We as the industry's first insurance company to build a cloud-based core system and the world's first insurance company without IOE, always adhere to the concept of green finance in the long-term. Our company continues to accumulate experience in areas such as 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, compare to the traditional insurance industry, this high-scale, highly scalable cloud architecture can greatly reduce operating costs. We can handle hundreds or tens of millions times of insurance transactions at the same time with far less energy and resources, reducing 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. Alibaba Cloud 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

6.2. Practicing green operation

ZhongAn Insurance is an internet technology enterprise which mainly operates business in office setting, hence it is not a company that regularly emits environmental pollutants, and creates only a minimal impact on the environment and natural resources. Our operations' environmental impact mainly derives from electricity consumption in office and domestic water consumption, domestic waste, a small amount of exhaust gas generated by company vehicles, and carbon emissions associated with business flying. To reduce these, the Group has implemented a green office policy and adopted a series of measures for energy saving, water resources management, paperless office, waste management and air emissions reduction.

Energy saving

The Group is committed to using innovative technologies to reduce the greenhouse gases ("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. In terms of lighting system, voice-controlled induction lights were installed in office corridor passages to automatically switch off when not in use. Office lighting areas are zoned with individual controls currently 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 system, we shut down the air-conditioning heating and cooling systems from May to October, and only turn on the fresh air system mode to reduce air-conditioning energy consumption. For office equipment power control, we use timers or completely turn off the printer during non-working hours. In addition, to further enhance employees' sense of environmental responsibility, we stepped up our publicity efforts and added paper-saving reminders next to the printer, increase the electronic seal mode, reduce offline printing to a certain extent, perform approvals online, and reduce paper consumption caused by approvals.

With the Group's efforts in implementing energy-saving and efficiency-enhancing information to employees, the total electricity consumption of the Shanghai headquarters office during the Year was 581,731.00 kWh, which was around 55.14% less than that of last year, reason for the decrease is that starting from May 2020, electricity bills of the canteen were settled by the contractor.

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, thus there is no problem in obtaining a suitable water source. However, facing the crisis of global water shortage, we still actively encourage and monitor employees to use water wisely. We use water-saving sanitary wares 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 16,662.00 m^3, 2.06% less than that of last Year. ZhongAn has begun to analyses its water consumption. In the future, we will continue to monitor the water consumption behavior of our employees and hope to achieve continuous improvement for conservation of water resources.

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 encouraged 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, total amount of paper usage by the Group's head office in Shanghai was 9.30 tonnes, which was 47.4% less compared to last Year, due to COVID-19, company personnel did not come to work in office in some of the months, thus the overall paper consumption had reduced.

Waste management

Our business involve operations mainly in office, and our daily office operation produce non-hazardous solid wastes like paper and general waste. We strictly follow the laws and regulations regarding 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 in Shanghai to divide waste into wet, dry, recyclable and hazardous waste which are centralized handled and sent to recycling centre for reuse or disposal.

Non-hazardous waste

We reduce the consumption of natural resources through recycling. Waste paper recycling corners are provided in office printing areas for reuse by employees. To further reduce waste, employees are encouraged to reuse envelopes, binders, file and other stationery items, and to use refillable pens. For canteen, it use reusable tableware rather than disposable tableware. Employees are encouraged to avoid food wastage by finish all their food on their plates (光盤行動) to reduce food waste.

Hazardous waste

Up to now, the Group has been implementing good environmental concepts, strengthening environmental protection, and reducing environmental pollution. We have specific recycling bins for employees to recycle hazardous waste such as batteries. For calculators and electronics which do not work anymore, we actively consider working with electronics recycling companies to recycle old calculators and other electronic waste. For waste cartridges and toner cartridges, we work with qualified third-party recyclers to recycle these items.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

Reducing air emissions

The Group's air emissions are mainly generated from the use of the company's vehicles and natural gas, to reduce air pollution we have taken different measures as follows:

➢ We control the company's vehicles' usage frequency and mileage, use vehicles when necessary needed, we have policy on using vehicles which need to obtain approval to use vehicles;

➢ We record the mileage information of the vehicles, record the information of vehicles and fuels use to avoid causal use of vehicles, for staff going to the same destination, such as pick-up and drop-off to airport, combine into one vehicle as far as possible, to avoid using multiple vehicles at the same time. If many staff are going to the same destination, we choose to travel by large bus, avoid using multi- vehicles, to reduce air emissions effectively;

➢ In addition, we strictly implement vehicle maintenance standards and requirements to ensure that vehicles are operating properly and to control emissions:

During the Year, the air emission from vehicles and natural gas at Shanghai headquarter and their respective types and emission data are as follows:

Emissions type	Unit	2020	2019
Nitrogen oxides (NO_x)	kg	82.9	86.94
Sulphur oxides (SO_x)	kg	16.42note	0.25
Particulate matter (PM)	kg	8.57	8.33

Note: The difference with last year was due to the different in scope, last year did not include emissions from the use of natural gas.

6.3. Promoting low-carbon culture

On September 27, 2020, the Ministry of Ecological Environment held a policy briefing on "actively addressing climate change" (積極應對氣候變化), implemented the goal of combating climate change, and made it clear the efforts should be made to strengthen economic transformation, adhere to new development ideas, develop high-tech industries such as digital economy, and promote low-carbon culture digitally. At the same time, we should strengthen energy substitution and build a zero-emission energy system with new and renewable energy by 2050, which is the foundation for carbon neutral by 2060.

Greenhouse gas emissions from the Group's Shanghai headquarters include carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O) and can be classified as direct emissions (scope 1) and indirect emissions (scope 2 and scope 3). Greenhouse gas emissions in each scope is from the use of natural gas and fuel used by Group-owned vehicles (scope 1), electricity consumption during operation (scope 2) and emissions from employee business travel aviation, waste landfilling and paper consumption (scope 3). During the Year, our total greenhouse gas emissions were 1,011.77 tonnes of CO_2e, intensity of 0.05 metric tonnes of CO_2e per square meter of floor area and 0.33 tonnes of CO_2e per employee. In practice, we try to use online conferencing instead of overseas business trips, and for some necessary business trips, we choose direct flights to effectively reduce carbon emissions. Travel need to obtain approval first before buying flight tickets, cost is being charges to the department request travel, from the very beginning to judge the necessity of travel to reduce the frequency of travel.

7. Contribution to Society and Livelihood

ZhongAn's mission is "Providing insurance services with a caring hand", it represents the Group's willingness to improve the society and livelihood, it can be shown in our "empowering the finance business with technology" and professional service to our customers, and also in our contribution of corporate social responsibility. As such, ZhongAn is enthusiastic in social welfare activities and has held a variety of charitable activities over the years and continues to fulfil our corporate social responsibilities through making contributions for the care of children, environmental protection, developing talents and protecting health. During the Year, our contribution focus on "Caring vulnerable and minorities group", "Helping students and farmers", "Protecting the environment" and "Caring community's need", running the insurance business and public welfare activities at the same time.

7.1. Caring vulnerable and minorities group

「Caring intellectual disabilities」

ZhongAn employees participate in charity selling, to promote cherish resources, advocate recycling of items, cooperate with WABC (上海藝途公益基金會), which provide artistic healing services to intellectual disabilities, the charity money in exchange for "art color bag", used to help the intellectual disabilities' family under Covid-19, according to the "art color bag" manual guidance and painting tools to guide children at home for art creation activities.

Illustration: ZhongAn employees in charity selling

「Equal rights: caring sexual minorities」

In June 2020, "World proud month" (世界驕傲月), ZhongAn worked with Wuhan LGBT Center, to provide training and technical support, working together for the LGBTQ+ (sexual minorities) people who troubled by their sexual inclination, gender identity or gender expression, supported by ZhongAn AI intelligent training assistant "Zhonghui Tree" (眾慧樹), using technology platform to spread the awareness of gender equality.

7.2. Helping students and farmers

「Helping students」

ZhongAn uses insurance technology to support "Providing insurance services with a caring hand". In August 2020, ZhongAn launched second season of "Be your feather e" (做你的羽e), a welfare activity, to provide teachers and students from YuanWangZhuang School in Yanhu District, Yuncheng City, Shanxi Province (山西省運城市鹽湖區原王莊學校) with a workplace experience and sharing of technology class.

This year, the charity on helping student focuses on student immersive experiences, designed jointly by blockchain experts, insurance experts, genetics experts and education experts, with the maritime era as the backdrop, with the "navigation explorer" role-playing. During the same period, ZhongAn AI intelligent training assistant "Zhonghui Tree" (眾慧樹) played last year and this year's public welfare class to allow students have opportunities to watch and study the courses. In the future, ZhongAn employees will continue to contribute and update public welfare courses to benefit more children in far areas through technology.

Illustration: ZhongAn AI intelligent training assistant "Zhonghui Tree" (眾慧樹) online helping student interface

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

Illustration: Students listening carefully in the class

Illustration: Students participating in ZhongAn showroom

Illustration: Students having a cheerful class discussion

「Helping farmers」

"Peach flower" (桃花制) sell products with a purpose to help farmers. We work with them to sell their ecological products on ZhongAn's staff welfare platform to reach more staff. Using IT tools and consumption habits in the context of charity, to help farmers increase income and construction of nature areas. All "peach flower" charity profits will be used for the Peach Flower Source Ecological Conservation Foundation (桃花源生態保護基金會) to support the conservation of natural reserve.

7.3. Protecting the environment

「2020 ZhongAn charity "protect Qiandao Lake" event」

In September 2020, ZhangAn launched "protect Qiandao Lake" event with The Five Waters Co-governance Headquarters (Hechang Office), Chun'an County, Hangzhou City (杭州市淳安縣五水共治指揮部 (河長辦))、Qiandao LakeFondation (千島湖水基金), created "insurance+technology" multi-participation innovation platform ZAction. Set the public donation step, river long volunteer fun patrol card, river long volunteer intelligent professional training, blockchain public welfare certification function in one, to protect the Yangtze River Delta water source. The event received positive response and support by the representatives from Zhejiang and Anhui provinces, and after the Bund event opening, it was reported in Hangzhou Daily, Qianjiang Evening News, Zhejiang News, CCTV and other medias.

｢ZhongAn water source protection charity base｣

In December 2020, ZhongAn set up community base in Qiandao Lake, the most important water source in the Yangtze River Delta, to better show the advantages of "insurance+technology+talents" to empower the water protection team, the public and public welfare activities to cherish and protect the water source.

｢ZAction Plogging garbage cleaning actions｣

From May 2020, ZhongAn launched "ZAction Plogging garbage cleaning actions". ZhongAn employees become environmental volunteers, cleaning garbage along Shanghai Bund to-Hongkou First Line in their off-office hour, with practical action to protect the environment, at the same time, staff can move more.

Illustration: ZAction Plogging garbage cleaning

Illustration: 2020 ZhongAn charity "protect Qiandao Lake" event opening

Illustration: 2020 ZhongAn charity "protect Qiandao Lake" poster

Illustration: ZhongAn donating insurance protection to the "protect Qiandao Lake" event

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

7.4. Caring community's need

December 28, 2020, ZhongAn employees joined voluntary blood donation.

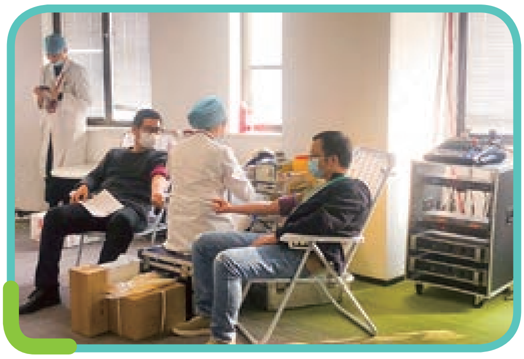


Illustration: ZhongAn employees joined voluntary blood donation.

8. Special section - Fighting the pandemic, ZhongAn in action

In 2020, COVID-19 has been affecting everyone. In order to support the prevention and control of the pandemic, ZhongAn adhering to the mission of " Providing insurance services with a caring hand", launched number of measures to combat the pandemic, to provide health protection to all people.

13 health services, warm protection

➢ Set up pandemic reporting channel, set up a 24-hour customer hotline;

➢ Set up emergency mechanism to contact customers in 30 minutes to provide "one-to-one" special services after receiving pandemic report;

➢ 24-hour online claims, all confirmed COVID-19 cases can claim online by providing softcopy of requested documents;

➢ Simplify COVID-19 claims documents, COVID-19 cases' provide medical expenses invoices and disease diagnosis can apply for claims;

➢ Set up green claims channel, complete COVID-19 cases claim in 3 hours, services supported by "Nova Technology" (暖哇科技);

➢ Cancel fixed-point hospital restrictions, we cancel medicine and medical treatment restrictions for COVID-19 cases;

➢ Cancel medicine and medical treatment restrictions, ensure treatment on time; Cancel restrictions on medicines and treatment programs for COVID-19 cases;

➢ Cancel waiting period for COVID-19 case which has bought medical expenses compensation insurance;

➢ Cancel non-claimable amount for COVID-19 case which has bought medical expenses compensation insurance;

➢ Set up medical assistance services for fever or suspected COVID-19 case, ZhongAn hospital network (眾安互聯網醫院) doctor keeper (醫管家) services can provide hospital booking assistant services (follow local government pandemic prevention policies), cooperate with more than 900 triple-A hospitals, covering provinces throughout China;

➢ 24-hour fever consultation service, follow ZhongAn hospital network program (眾安互聯網醫院小程序), over 100 experienced doctors provide online medical consultation services, deliver medicine to patient home, covering provinces throughout China, in core areas can deliver within 28 minutes;

➢ COVID-19 vaccine consultation, providing free COVID-19 vaccine information and latest policy interpretation;

➢ Follow ZhongAn insurance program/ZhongAn health wechat group (眾安保險小程序/眾安健康微信公眾號) can obtain COVID-19 vaccination injection locations.

9. Appendix 1: Sustainability Data Statements

Environmental Scope	Unit	2020	2019
Greenhouse Gases Emissions			
Direct greenhouse gases emissions (Scope 1)	tonnes CO_2e	106.46	114.42
Indirect greenhouse gases emissions (Scope 2)	tonnes CO_2e	470.39	912.27
Other indirect greenhouse gases emissions (Scope 3)	tonnes CO_2e	434.93	629.91
Total greenhouse gases emissions (Scope 1, 2 & 3)	tonnes CO_2e	1,011.77	1,656.60
Greenhouse Gases Intensity			
Per square meter of floor area (Scope 1, 2 & 3)	tonnes CO_2e/m^2	0.05	0.09
Per employee (Scope 1, 2 & 3)	tonnes CO_2e/employee	0.33	0.81
Energy Consumption			
Total electricity consumption	kWh	581,731.00	1,296,754.00
Total electricity consumption intensity (per square meter of floor area)	kWh/m^2	31.02	69.14
Total electricity consumption intensity (per employee)	kWh/employee	191.80	633.80
Natural gas consumption	m^3	29,500.00	31,200.00
Gasoline consumption	Litre	14,220.27	17,180.00
Water Consumption			
Total water consumption	m^3	16,662.00	17,012.00
Total water consumption intensity (per square meter of floor area)	m^3/m^2	0.89	0.91
Total water consumption intensity (per employee)	m^3/employee	5.49	8.31
Waste			
Non-hazardous waste	tonnes	127.5	153.00
Non-hazardous waste intensity (per employee)	tonnes/employee	0.04	0.07
Non-hazardous waste intensity (batteries) [note 1]	pieces	15,300.00	16,650.00
Non-hazardous waste intensity (batteries) (per employee)	pieces/employee	5.04	8.14
Paper consumption	tonnes	9.3	17.68
Paper consumption intensity	tonnes/employee	0.003	0.009

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

Environmental Scope	Unit	2020	2019
Total Employees	no. of people	3,033	2,898
Total Employees (by Gender)			
Female	no. of people	1,270	1,198
Male	no. of people	1,763	1,700
Total Employees (by Employment Category)			
Junior staff	no. of people	2,768	2,806
Middle management	no. of people	244	82
Senior management	no. of people	21	10
Total Employees (by Age Group)			
Below 30	no. of people	1,025	1,236
30-50	no. of people	1,996	1,651
Above 50	no. of people	12	11
Total Employees (by Geographical Region)			
Employees in North China	no. of people	176	191
Employees in Northeast China	no. of people	48	19
Employees in East China	no. of people	2,246	2,198
Employees in Central China	no. of people	14	11
Employees in South China	no. of people	389	348
Employees in Hong Kong	no. of people	160	131
Employee Turnover Rate (Total and by Gender)			
Total employees turnover[note 2]	%	28.65	24.8
Female turnover[note 3]	%	10.68	23.2
Male turnover[note 3]	%	17.97	26.0
Employee Turnover Rate (by Age Group)[note 3]			
Below 30	%	10.55	26.3
30-50	%	17.90	23.7
Above 50	%	0.2	15.4
Employee Turnover Rate (by Geographical Region)[note 3]			
Employees in North China	%	1.88	34.8
Employees in Northeast China	%	0.13	—
Employees in East China	%	21.43	24.4
Employees in Central China	%	0.065	—
Employees in South China	%	3.59	26.6
Employees in Hong Kong	%	1.56	14.1

Environmental Scope	Unit	2020	2019
Percentage of Employees Trained (by Gender)[note 4]			
Female	%	15	92.2
Male	%	16	85.2
Percentage of Employees Trained (by Employment Category)[note 4]			
Junior staff	%	28.4	87.5
Middle management	%	2.4	79.3
Senior management	%	0.2	70.0
Average Training Hours Per Employee (by Gender)[note 5]			
Female	hours	2.7	2.7
Male	hours	2.5	2.5
Average Training Hours Per Employee (by Employment Category)[note 5]			
Junior staff	hours	2.6	2.6
Middle management	hours	1.9	1.9
Senior management	hours	5.9	5.9
Occupational Health and Safety Work-related Injuries and Fatalities			
Lost days due to work injury	days	44	256
Number of work-related fatalities	No. of people	—	—

Note 1: According to the "Nanjing Municipal Domestic Waste Classification and Disposal Guidelines" in November 2020, dry batteries are non-hazardous waste, so the data of the previous year is restated.

Note 2: Number of employees leaving the company divided by average number of employees.

Note 3: Number of employees in the specified category leaving the company divided by number of employees in the specified category.

Note 4: Number of employees in the specified category divided by number of trained employees.

Note 5: Training hours of employees in the specified category divided by number of employees in the specified category.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

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

ESG indicator		Related Sections
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-Practicing green operation
A1.1	The types of emissions and respective emissions data.	Sharing Green Ecology-Practicing green operation
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix 1: Sustainability Data Statements
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix 1: Sustainability Data Statements
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix 1: Sustainability Data Statements
A1.5	Description of emissions target(s) set and steps taken to achieve them.	Sharing Green Ecology-Practicing green operation, emission target(s) to be disclose next year
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Sharing Green Ecology-Practicing green operation, reduction target(s) to be disclose next year
A2:Use of Resources		
General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Sharing Green Ecology-Practicing green operation
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Appendix 1: Sustainability Data Statements
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Appendix 1: Sustainability Data Statements
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Sharing Green Ecology-Practicing green operation, energy use efficiency target(s) to be disclose next year
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Sharing Green Ecology-Practicing green operation, water efficiency target(s) to be disclose next year
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable

ESG indicator		Related Sections
A3:The Environment and Natural Resources		
General disclosure	Policies on inimizing the issuer's significant impacts on the environment and natural resources.	Sharing Green Ecology-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-Practicing green operation; Promoting low-carbon culture
A4:Climate Change		
General disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	To disclose next year
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	To disclose next year
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.	Humanistic Cares-Equal employment, Employee remuneration and benefits, Valuing talent development
B1.1	Total workforce by gender, employment type (for example, full- or parttime), age group and geographical region.	Appendix 1: Sustainability Data Statements
B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix 1: 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.	Humanistic Cares - Staff health and safety
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Appendix 1: Sustainability Data Statements
B2.2	Lost days due to work injury.	Appendix 1: Sustainability Data Statements
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Humanistic Cares - Staff health and safety

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

ESG indicator		Related Sections
B3:Development and Training		
General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Humanistic Cares - Valuing talent development
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Appendix 1: Sustainability Data Statements
B3.2	The average training hours completed per employee by gender and employee category.	Appendix 1: Sustainability Data Statements
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.	Humanistic Cares - Equal employment
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Humanistic Cares - Equal employment
B4.2	Description of steps taken to eliminate such practices when discovered.	Humanistic Cares - Equal employment
B5:Supply Chain Management		
General disclosure	Policies on managing environmental and social risks of the supply chain.	Compliance operation and internal control - Compliance operation
B5.1	Number of suppliers by geographical region.	Compliance operation and internal control - Compliance operation
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Compliance operation and internal control - Compliance operation
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Compliance operation and internal control - Compliance operation
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Compliance operation and internal control - Compliance operation

ESG indicator		Related Sections
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.	Technology Leader in the Insurance Industry - Providing Insurance Services with a Caring Hand- Consumer Information Protection\ 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.	Technology Leader in the Insurance Industry - Providing Insurance Services with a Caring Hand - Valuing client feedback
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Technology Leader in the Insurance Industry - Providing Insurance Services with a Caring Hand-Respecting intellectual property rights
B6.4	Description of quality assurance process and recall procedures.	Technology Leader in the Insurance Industry - Providing Insurance Services with a Caring Hand - Valuing client feedback
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Technology Leader in the Insurance Industry - Providing Insurance Services with a Caring Hand - Consumer Information Protection

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

ESG indicator		Related Sections
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.	Compliance Operation and Internal Control - 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.	Compliance Operation and Internal Control - Anti-corruption
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Compliance Operation and Internal Control - Anti-corruption
B7.3	Description of anti-corruption training provided to directors and staff.	Compliance Operation and Internal Control - 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 (e.g. money or time) 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 214, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- 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 2020, 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 Significant accounting judgements and estimates – Valuation of insurance contract liabilities. The Group had insurance contract liabilities stated at RMB 8,547,233 thousand at 31 December 2020, representing 30.22% 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 and the inherent risk in relation to the valuation of insurance contract liabilities is considered significant.	With the assistance of our actuarial experts, we performed the audit procedures listed below. We obtained an understanding of the management's assessment process of valuation of insurance contract liabilities and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity and susceptibility to management bias or fraud. We understood, evaluated and tested the management's internal controls over valuation of insurance contract liabilities including data collection and analysis and 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.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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.

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, actions taken to eliminate threats or safeguards applied.

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 2021

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020
(All amounts expressed in RMB'000 unless otherwise stated)

	Notes	2020	2019
Gross written premiums	8(a)	16,708,504	14,629,589
Less: Premiums ceded to reinsurers	8(b)	(522,683)	(234,148)
Net written premiums	8	16,185,821	14,395,441
Less: Net change in unearned premium reserves	8	29,383	(1,593,990)
Net premiums earned	8	16,215,204	12,801,451
Net investment income	9	1,527,498	1,775,786
Net fair value changes through profit or loss	10	(25,517)	169,896
Other income	11	775,978	376,831
Total income		18,493,163	15,123,964
Net claims incurred	12	(8,773,904)	(8,624,689)
Handling charges and commissions	13	(1,406,867)	(909,909)
Foreign exchange gains		200,874	1,962
Finance costs		(232,869)	(111,096)
General and administrative expenses	14	(7,168,487)	(5,416,859)
Other expenses	15	(931,668)	(630,265)
Total expenses		(18,312,921)	(15,690,856)
Share of net loss of associates and joint ventures accounted for using the equity method	33	(33,712)	(43,946)
Profit/(Loss) before income tax		146,530	(610,838)
Income tax	19	107,850	(27,807)
Net profit/(loss) for the year		254,380	(638,645)
Profit/(Loss) attributable to:			
– Owners of the parent		553,786	(454,101)
– Non-controlling interests		(299,406)	(184,544)
		254,380	(638,645)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020
(All amounts expressed in RMB'000 unless otherwise stated)

	Notes	2020	2019
Profit/(Loss) per share			
– Basic profit/(loss) per share (RMB yuan)	20	0.38	(0.31)
– Diluted profit/(loss) per share (RMB yuan)	20	0.38	(0.31)
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	21	343,376	(72,915)
– Exchange differences on translation of foreign operations	21	(186,621)	30,631
Other comprehensive income/(loss) for the year, net of tax	21	156,755	(42,284)
Total comprehensive income/(loss) for the year		411,135	(680,929)
Total comprehensive income/(loss) for the year attributable to:			
– Owners of the parent		783,175	(511,410)
– Non-controlling interests	7(b)	(372,040)	(169,519)
		411,135	(680,929)

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 214 are signed by:

Yaping Ou
(On behalf of the Board of Directors)

Hugo Jin Yi Ou
(On behalf of the Board of Directors)

Consolidated Balance Sheet

As at 31 December 2020

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

	Notes	31 December 2020	31 December 2019
ASSETS			
Cash and amounts due from banks and other financial institutions	22	8,418,374	2,914,820
Financial assets at fair value through profit or loss	23	6,120,366	6,220,536
Securities purchased under agreements to resell	24	93,000	160,000
Interest receivables	25	341,395	306,078
Premium receivables	26	4,477,914	3,532,160
Reinsurance receivables	27	319,525	238,028
Reinsurers' share of insurance contract liabilities	44	348,313	275,127
Available-for-sale financial assets	28	19,047,363	12,200,672
Loans and advances to customers	29	623,744	50,900
Investments classified as loans and receivables	30	1,146,493	1,276,676
Term deposits	31	330,090	300,000
Restricted statutory deposits	32	294,338	294,338
Held-to-maturity financial assets		686,690	—
Investments in associates and joint ventures	33	315,289	613,309
Right-of-use assets	34	277,749	363,635
Property and equipment	35	66,023	90,968
Intangible assets	36	481,477	488,779
Goodwill		3,189	3,997
Deferred income tax assets	37	—	—
Other assets	38	2,282,104	1,577,552
Total assets		45,673,436	30,907,575
EQUITY AND LIABILITIES			
Equity			
Share capital	39	1,469,813	1,469,813
Reserves	40	16,816,776	16,576,422
Accumulated losses		(2,581,239)	(3,134,580)
Equity attributable to owners of the parent		15,705,350	14,911,655
Non-controlling interests	7(b)	1,687,985	1,593,876
Total equity		17,393,335	16,505,531
Liabilities			
Customer deposits	41	5,061,122	23,841
Securities sold under agreements to repurchase	42	4,093,822	4,049,725
Premiums received in advance		126,714	101,134
Reinsurance payables	43	452,442	218,060
Income tax payable		4,995	2,170
Insurance contract liabilities	44	8,547,233	7,542,640
Bonds payable	45	6,467,591	—
Lease liabilities	34	318,556	398,366
Deferred income tax liabilities	37	1	42
Contract liabilities		74,893	22,089
Other liabilities	46	3,132,732	2,043,977
Total liabilities		28,280,101	14,402,044
Total equity and liabilities		45,673,436	30,907,575

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

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

	For the year ended 31 December 2020									
	Attributable to owners of the parent									
		Reserves								
	Share capital	Capital reserves	Surplus reserves	Other reserves due to share-based payments	Available-for-sale financial assets revaluation reserves	Foreign currency translation reserves	Accumulated losses	Total	Non-controlling interests	Total equity
1 January 2020	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
Total comprehensive income	–	–	–	–	340,463	(111,074)	553,786	783,175	(372,040)	411,135
Surplus reserves	–	–	445	–	–	–	(445)	–	–	–
Contributions from non-controlling interests (Note 7(b))	–	–	–	–	–	–	–	–	955,534	955,534
Consideration paid to non-controlling interests (Note 7(b))	–	(16,915)	–	–	–	–	–	(16,915)	(496,479)	(513,394)
Non-controlling interests on acquisition of subsidiary (Note 7(b))	–	–	–	–	–	–	–	–	5,650	5,650
Share-based payments	–	–	–	1,502	–	–	–	1,502	1,444	2,946
Disposal of associates (Note 33(b))	–	(4,805)	–	–	–	–	–	(4,805)	–	(4,805)
Others (Note 33(e))	–	30,738	–	–	–	–	–	30,738	–	30,738
31 December 2020	1,469,813	16,596,419	477	39,902	275,311	(95,333)	(2,581,239)	15,705,350	1,687,985	17,393,335

	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 financial assets revaluation reserves	Foreign currency translation reserves	Accumulated losses	Total	Non-controlling interests	Total equity
1 January 2019	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	–	–	–	–	–	–	–	–	1,270,042	1,270,042
Consideration paid to non-controlling interests	–	(8,974)	–	–	–	–	–	(8,974)	(457,652)	(466,626)
Deconsolidation of subsidiary	–	–	–	–	–	–	–	–	(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 Flows

For the year ended 31 December 2020

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

	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operating activities	47	4,858,856	(1,214,823)
Net cash inflow/(outflow) from operating activities		4,858,856	(1,214,823)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment, intangible assets and other assets		(247,722)	(286,031)
Proceeds from sale of property and equipment, intangible assets and other assets		194	83
Purchases of investments, net		(7,389,692)	(1,863,790)
Acquisition of subsidiaries and other business entities, net		(130,107)	(62,086)
Deconsolidation of subsidiaries, net		(2,167)	(28,692)
Dividends and others received from investments		1,497,644	1,879,219
Net cash outflow from investing activities		(6,271,850)	(361,297)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of bonds		6,871,237	—
Proceeds from capital injection by non-controlling interests		955,534	455,937
Proceeds from issue of preference shares		—	814,105
Increase/(decrease) in securities sold under agreements to repurchase, net		(61,701)	1,408,374
Repayment of borrowings		(2,208)	(60,356)
Considerations paid for repurchase of non-controlling interests' shares		(1,500)	(317,619)
Considerations paid for redemption of preference shares		(511,894)	(149,007)
Principal elements of lease payments		(142,884)	(119,916)
Net cash inflow from financing activities		7,106,584	2,031,518
Effects of exchange rate changes on cash and cash equivalents		(390,373)	32,593
Net increase in cash and cash equivalents		5,303,217	487,991
Cash and cash equivalents at the beginning of year		2,914,820	2,426,829
Cash and cash equivalents at the end of year	22(b)	8,218,037	2,914,820

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(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 and applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. 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.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Revised Conceptual Framework for Financial Reporting	

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(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

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:

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 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.

HKFRS 9 is effective for accounting periods beginning on 1 January 2018. The Group was previously eligible to and elected to apply the temporary option to defer the effective date of HKFRS 9 under the amendments to HKFRS 4 'Insurance contracts'.

On March 24, 2020, ZA Bank Limited ("ZA Bank"), a subsidiary of the Company, officially opened for business in Hong Kong. Since its opening, the banking business has developed rapidly and its customer deposits has reached RMB5,061,122 thousand at 31 December 2020, representing 17.9% of the Group's total liabilities. Management determined that there was a change in the Group's activities and the change was significant to the Group's operations. As a consequence, the Group concludes that its activities are no longer predominantly connected with insurance as a result of reassessment at 31 December 2020 and then no longer qualifies for the temporary exemption from HKFRS 9. As permitted by HKFRS 4 Amendments, the Group will continue to apply the temporary exemption from HKFRS 9 only until the end of 2021 and will adopt the HKFRS 9 on 1 January 2022. The Group makes additional disclosures as below.

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)

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.

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 2020 Fair value	2020 Change in the fair value
Financial assets held for trading (A)	6,120,366	(25,517)
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)	14,558,654	(48,992)
– Financial assets not meet SPPI	6,321,892	504,537
Total	27,000,912	430,028

Credit risk rating grades of financial assets meet SPPI(C)	31 December 2020 Carrying amounts
Domestic	
AAA	8,894,040
AA+	1,210,554
AA	105,370
C	18,820
Overseas	
A3(inclusive) or above	658,535
Baa1	446,879
Baa2	1,326,532
Baa3	1,758,589
Ba1(inclusive) or below	139,335
Total	14,558,654

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(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)

	31 December 2020	
	Carrying amounts	Fair value
Financial assets not have low credit risk	18,820	18,820

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.

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 recognised as revenue over the coverage period.

In October 2020, the Financial Reporting Standards Committee of the HKICPA issued the amendments to HKFRS 17. The standard is mandatorily effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(All amounts expressed in RMB'000 unless otherwise stated)

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(All amounts expressed in RMB'000 unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Property and equipment

Property and equipment can be recognised 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	5-8 years	5%	12%-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 2.8).

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.

2.6 Intangible assets

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

Intangible assets can be recognised 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 at the date of acquisition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Intangible assets (continued)

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
Licence	Indefinite

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.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2.7 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(All amounts expressed in RMB'000 unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Goodwill (continued)

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.

2.8 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.

2.9 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Financial assets (continued)

(a) *Classification* (continued)

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 recognised in the statement of comprehensive income as "Net investment income" when the loans and receivables are derecognised 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.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(All amounts expressed in RMB'000 unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 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.

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.

2.11 Financial liabilities

Financial liabilities at amortised cost

At initial recognition, the Group measures a financial liability at its fair value plus transaction costs that are incremental and directly attributable to the acquisition or issue of the financial liability.

When a financial liability (or part of it) is extinguished, the Group derecognises the financial liability (or part of it). The difference between the carrying amount of the derecognised liability and the consideration is recognised in the statement of comprehensive income.

The Group measures financial liabilities subsequently at amortized cost, using the effective interest method. Financial liabilities of the Group mainly include sercurities sold under agreements to repurchase, customer deposits and bonds payable, etc.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 recognised 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 recognised, the previously recognised 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(All amounts expressed in RMB'000 unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 recognises premiums ceded and reinsurance claims recoverable as income and expenses. In the period of recognising unearned premium reserves and outstanding claim reserves, the Group recognises 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2.20 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 recognises 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 recognises 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(All amounts expressed in RMB'000 unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Insurance contract liabilities

The Group's insurance contract liabilities include unearned premium reserves, claim reserves and long-term life insurance 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, long-term life insurance and other insurance.

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.

Acquisition costs in relation to the sale of new contracts such as commissions are recorded as expenses in the statement of comprehensive income, but the residual margin is calibrated to offset the impacts of the relevant acquisition costs incurred.

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 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.

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, chain ladder method and Bornhuetter-Ferguson 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.

Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed on the unearned premium reserves, claim reserves and long-term life insurance reserves. If the insurance contract liabilities re-calculated with the insurance actuarial methods exceeds their carrying amounts on date of the liability adequacy test, an additional provision is made for the respective insurance contract liabilities based on the difference and charged in the statement of comprehensive income. Otherwise, no adjustment is made for the respective insurance contract liabilities.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(All amounts expressed in RMB'000 unless otherwise stated)

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 and associates, 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. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised 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 equity-settled, share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments. 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 recognised on the following bases:

(a) Premium revenue

Premium revenue is recognised 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 recognised 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 recognised 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 recognised when the shareholders' right to receive payment is established.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(All amounts expressed in RMB'000 unless otherwise stated)

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 services under fixed-price contracts, and insurance brokerage services under fixed-price and variable-price contracts. Revenue from providing services is recognised in the accounting period in which the services are rendered. If the customer receives and uses the benefits simultaneously, 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. This is determined based on the actual labour hours spent relative to the total expected labour hours. Otherwise, the Group recognises revenue when control of the promised services is transferred to the customer in the amount that best reflects the consideration to which the Group expects to be entitled in exchange for those services.

For IT related services, 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.

For insurance brokerage services, payment of the price is due immediately from insurance companies at the completion of the insurance policy placement process once coverage is effective. Insurance companies may issue the insurance policy to the policyholder with a right of surrender, and the Group charges insurance brokerage services fee based on the actual premium income (net of surrender) recognised by insurance companies. Therefore, an estimated liability (included in other liabilities) and a right to the surrender cost (included in other assets) are recognised for the insurance policies expected for surrender. Accumulated experience is used to estimate such surrender at the time of providing insurance brokerage services. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

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 the statement of comprehensive income in the period in which the circumstances that give rise to the revision become known by management.

In the 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

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 the statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(All amounts expressed in RMB'000 unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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 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 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 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Valuation of insurance contract liabilities (continued)

Unearned premium reserves (continued)

(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 (insurance contracts other than bond insurance and credit insurance) and 15 percent (bond insurance and credit insurance contracts) 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 (insurance contracts other than bond insurance and credit insurance) and 7 percent (bond insurance and credit insurance contracts).

4. CHANGE IN ACCOUNTING ESTIMATES

When measuring the insurance contract liabilities, the Group determines actuarial assumptions such as discount rate, expense assumptions, loss ratios and risk margin based on information currently available at the balance sheet date.

At 31 December 2020, the Group used information currently available to redetermine the expense assumptions and the impact of this change was charged to the statement of comprehensive income. Such change in accounting estimates resulted in an decrease in net insurance contract liabilities at 31 December 2020 by approximately RMB47,511 thousand and an increase in profit before income tax for the year ended 31 December 2020 by approximately RMB47,511 thousand.

5. SEGMENT REPORTING

The Groups 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 banking segment provides banking services to its customers;
- The others segment includes entities other than the insurance segment and the technology segment and the banking segment, which provides asset management, online life insurance business, insurance brokerage, 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.

The banking segment has been identified as a new operating segment. As a consequence, the comparative segment information has been restated.

98.7% of the Group's revenue is derived from its operations in the PRC. 82.5% of the Group's assets are located in PRC. In 2020, the income from transactions with the top five external customers amounted to 4.2% (2019:2.4%) of the Group's total segment income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(All amounts expressed in RMB'000 unless otherwise stated)

5. SEGMENT REPORTING (continued)

Segment statement of comprehensive income for the year ended 31 December 2020

	Insurance	Technology	Banking	Others	Eliminations	Total
Gross written premiums	16,709,376	—	—	2,607	(3,479)	16,708,504
Less: Premiums ceded to reinsurers	(522,096)	—	—	(587)	—	(522,683)
Net change in unearned premium reserves	29,383	—	—	—	—	29,383
Net premiums earned	16,216,663	—	—	2,020	(3,479)	16,215,204
Net Investment income	1,438,980	40,030	4,271	34,360	9,857	1,527,498
Net fair value changes through profit or loss	(37,779)	11,165	—	1,097	—	(25,517)
Share of net profit/(loss) of associates and joint ventures accounted for using the equity method	20,211	(35,027)	—	(20,656)	1,760	(33,712)
Other income	111,878	377,618	67,802	271,209	(52,529)	775,978
Segment income	17,749,953	393,786	72,073	288,030	(44,391)	18,459,451
Net claims incurred	(8,772,721)	—	—	(1,201)	18	(8,773,904)
Handling charges and commissions	(1,441,596)	—	—	—	34,729	(1,406,867)
Foreign exchange gains/(losses)	170,367	942	(1,081)	443	30,203	200,874
Finance costs	(216,261)	(14,007)	—	(2,899)	298	(232,869)
General and administrative expenses	(6,596,759)	(227,264)	(230,297)	(141,540)	27,373	(7,168,487)
Other expenses	(12,081)	(521,252)	(142,203)	(277,676)	21,544	(931,668)
Segment expenses	(16,869,051)	(761,581)	(373,581)	(422,873)	114,165	(18,312,921)
Profit/(Loss) before income tax	880,902	(367,795)	(301,508)	(134,843)	69,774	146,530
Income tax	112,205	(66)	—	(4,289)	—	107,850
Net profit/(loss)	993,107	(367,861)	(301,508)	(139,132)	69,774	254,380

5. SEGMENT REPORTING (continued)

Segment balance sheet at 31 December 2020

	Insurance	Technology	Banking	Others	Eliminations	Total
Cash and amount due from banks and other financial institutions	5,680,057	296,732	2,044,536	417,217	(20,168)	8,418,374
Financial assets (a)	22,387,476	160,569	4,493,745	1,319,776	(19,482)	28,342,084
Insurance receivables (b)	5,143,782	—	—	1,970	—	5,145,752
Investment in associates, joint ventures and subsidiaries	3,663,952	1,439,284	—	1,909,024	(6,696,971)	315,289
Other assets	2,874,671	1,017,962	87,397	650,182	(1,178,275)	3,415,937
Segment assets	39,749,938	2,914,547	6,625,678	4,298,169	(7,914,896)	45,673,436
Insurance contract liabilities	8,544,219	—	—	3,090	(76)	8,547,233
Securities sold under agreements to repurchase	4,093,822	—	—	—	—	4,093,822
Customer deposits	—	—	5,081,291	—	(20,169)	5,061,122
Bonds payable	6,487,166	—	—	—	(19,575)	6,467,591
Other liabilities	3,405,641	872,371	219,746	787,442	(1,174,867)	4,110,333
Segment liabilities	22,530,848	872,371	5,301,037	790,532	(1,214,687)	28,280,101

(a) Financial assets comprise financial assets at fair value through profit or loss, securities purchased under agreements to resell, available-for-sale financial assets, held-to-maturity 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 2020

	Insurance	Technology	Banking	Others	Eliminations	Total
Depreciation and amortization	191,139	102,841	3,465	17,567	—	315,012
Capital expenditure	169,319	81,489	6,608	30,133	—	287,549
Impairment loss charges	339,059	16,618	1,150	210	3,997	361,034
Interest income	(618,667)	(1,699)	—	(26,261)	1,511	(645,116)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(All amounts expressed in RMB'000 unless otherwise stated)

5. SEGMENT REPORTING (continued)

Segment statement of comprehensive income for the year ended 31 December 2019

	Insurance	Technology	Banking	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	16,671	9,985	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	—	74,898	(41,165)	376,831
Segment income	14,771,788	285,697	16,671	55,834	(49,972)	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)	(645)	(648)	8	(111,096)
General and administrative expenses	(5,076,496)	(106,576)	(178,008)	(95,291)	39,512	(5,416,859)
Other expenses	(2,504)	(499,901)	—	(131,206)	3,346	(630,265)
Segment expenses	(14,739,861)	(617,342)	(178,653)	(224,186)	69,186	(15,690,856)
Profit/(Loss) before income tax	31,927	(331,645)	(161,982)	(168,352)	19,214	(610,838)
Income tax	(24,326)	(2,702)	—	(779)	—	(27,807)
Net profit/(loss)	7,601	(334,347)	(161,982)	(169,131)	19,214	(638,645)

5. SEGMENT REPORTING (continued)

Segment balance sheet at 31 December 2019

	Insurance	Technology	Banking	Others	Eliminations	Total
Cash and amount due from banks and other financial institutions	626,720	437,614	1,133,397	717,089	—	2,914,820
Financial assets (a)	19,920,826	358,920	89,582	133,794	—	20,503,122
Insurance receivables (b)	4,045,315	—	—	—	—	4,045,315
Investment in associates, joint ventures and subsidiaries	2,753,650	847,615	—	1,435,085	(4,423,041)	613,309
Other assets	2,520,366	768,634	22,232	245,548	(725,771)	2,831,009
Segment assets	29,866,877	2,412,783	1,245,211	2,531,516	(5,148,812)	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)
Customer deposits	—	—	(23,841)	—	—	(23,841)
Other liabilities	(2,385,089)	(731,350)	(36,977)	(378,706)	746,284	(2,785,838)
Segment liabilities	(13,977,513)	(731,350)	(60,818)	(378,706)	746,343	(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	Banking	Others	Eliminations	Total
Depreciation and amortization	193,051	52,870	—	16,863	—	262,784
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)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(All amounts expressed in RMB'000 unless otherwise stated)

6. 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 8.

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.

6. 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 2020	
	Impact on profit before income tax	Impact on total equity
+1%	(164,042)	(164,042)
– 1%	164,042	164,042

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(All amounts expressed in RMB'000 unless otherwise stated)

6. 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					
	2016	**2017**	**2018**	**2019**	**2020**	**Total**
Estimate of ultimate claim cost as of:						
End of current year	1,501,551	2,698,058	5,396,412	8,774,976	**9,181,662**	
One year later	1,433,179	2,577,762	5,360,642	8,413,918		
Two years later	1,440,112	2,554,264	5,344,610			
Three years later	1,433,121	2,537,233				
Four years later	1,436,410					
Current estimate of cumulative claims	1,436,410	2,537,233	5,344,610	8,413,918	**9,181,662**	26,913,833
Cumulative payments to date	(1,428,843)	(2,481,834)	(5,050,533)	(7,713,379)	**(7,296,881)**	(23,971,470)
Liability in respect of prior years, unallocated loss adjustment expenses, discount and risk adjustment margin						186,105
Total gross claim reserves included in the consolidated balance sheet						3,128,468

6. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(a) Insurance risk (continued)

Claim development tables (continued)

Net insurance claim reserves:

	Accident year					
	2016	2017	2018	2019	2020	Total
Estimate of ultimate claim cost as of:						
End of current year	1,494,242	2,638,157	5,161,833	8,558,688	8,865,990	
One year later	1,424,327	2,493,902	5,066,558	8,167,698		
Two years later	1,431,445	2,454,326	5,027,948			
Three years later	1,418,764	2,440,378				
Four years later	1,422,886					
Current estimate of cumulative claims	1,422,886	2,440,378	5,027,948	8,167,698	8,865,990	25,924,900
Cumulative payments to date	(1,417,400)	(2,397,268)	(4,769,241)	(7,513,789)	(7,035,368)	(23,133,066)
Liability in respect of prior years, unallocated loss adjustment expenses, discount and risk adjustment margin						178,540
Total net claim reserves included in the consolidated balance sheet						2,970,374

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(All amounts expressed in RMB'000 unless otherwise stated)

6. 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"), Singapore dollar ("SGD") or Euro ("EUR").

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 2020					
	HKD'000	USD'000	JPY'000	SGD'000	EUR'000	Equivalent to RMB'000
Cash and amounts due from bank and other financial institutions	2,467,789	233,773	1,470,359	4,349	2,291	3,753,076
Financial assets at fair value through profit or loss	82,460	6,544	—	—	—	112,103
Interest receivables	18,356	3,177	—	—	—	36,175
Premium receivables	13	—	—	—	—	11
Available-for-sale financial assets	2,704,898	322,705	—	—	—	4,382,037
Loans and advances to customers	681,608	—	—	—	—	573,744
Held-to-maturity financial assets	133,335	—	—	—		112,235
Other receivables	34,175	—	168,603	10,139	181	90,890
Total	6,122,634	566,199	1,638,962	14,488	2,472	9,042,271

6. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(b) Financial risk (continued)

Market risk (continued)

(i) ***Currency risk*** (continued)

	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

The Group has no significant concentration of currency risk.

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 2020	
	Impact on profit before income tax	Impact on total equity
+5%	233,012	452,114
– 5%	(233,012)	(452,114)

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)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(All amounts expressed in RMB'000 unless otherwise stated)

6. 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 2020	
	Impact on profit before income tax	Impact on total equity
+50 basis points	(30,718)	(140,993)
– 50 basis points	32,021	152,677

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

6. 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 2020	
	Impact on profit before income tax	Impact on total equity
+5%	52,660	264,327
– 5%	(52,660)	(264,327)

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)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(All amounts expressed in RMB'000 unless otherwise stated)

6. 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. At 31 December 2020, 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.

6. 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 2020					
		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 amounts due from banks and other financial institutions	8,418,374	—	—	—	—	8,418,374
Financial assets at fair value through profit or loss	2,887,391	—	—	—	—	2,887,391
Securities purchased under agreements to resell	93,000	—	—	—	—	93,000
Premium receivables	4,457,403	20,511	—	20,511	—	4,477,914
Reinsurance receivables	319,525	—	—	—	—	319,525
Interest receivables	341,395	—	—	—	—	341,395
Available-for-sale financial assets	12,818,260	—	—	—	52,593	12,870,853
Held-to-maturity financial assets	686,690	—	—	—	—	686,690
Investments classified as loans and receivables	1,035,800	—	—	—	110,693	1,146,493
Loans and advances to customers	623,744	—	—	—	—	623,744
Term deposits	330,090	—	—	—	—	330,090
Restricted statutory deposits	294,338	—	—	—	—	294,338
Others	812,864	—	—	—	—	812,864
Total	33,118,874	20,511	—	20,511	163,286	33,302,671

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(All amounts expressed in RMB'000 unless otherwise stated)

6. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(b) Financial risk (continued)

Credit risk (continued)

	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 amounts due from banks and other financial institutions	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	3,444,507	87,653	—	87,653	—	3,532,160
Reinsurance receivables	238,028	—	—	—	—	238,028
Interest receivables	306,078	—	—	—	—	306,078
Available-for-sale financial assets	7,542,883	—	—	—	20,864	7,563,747
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	21,714,645	87,653	—	87,653	20,864	21,823,162

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.

6. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(b) Financial risk (continued)

Liquidity risk (continued)

The tables below summarize the maturity profiles of the main financial assets and financial liabilities of the Group based on undiscounted contractual cash flows and remaining maturity of expected cash flows.

	31 December 2020					
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Assets:						
Cash and amounts due from banks and other financial institutions	7,016,865	1,402,781	—	—	—	8,419,646
Financial assets at fair value through profit or loss	—	672,938	2,176,120	510,746	3,232,975	6,592,779
Securities purchased under agreements to resell	—	93,008	—	—	—	93,008
Premium receivables	—	4,477,914	—	—	—	4,477,914
Reinsurance receivables	—	319,525	—	—	—	319,525
Available-for-sale financial assets	—	5,141,999	7,848,044	1,281,334	6,176,510	20,447,887
Held-to-maturity financial assets	—	43,230	651,679	118,246	—	813,155
Investments classified as loans and receivables	—	246,438	873,901	309,713	—	1,430,052
Loans and advances to customers	—	414,372	227,541	—	—	641,913
Term deposits	—	30,630	382,500	—	—	413,130
Restricted statutory deposits	—	276,227	54,502	—	—	330,729
Other assets	—	775,716	37,148	—	—	812,864
Total	7,016,865	13,894,778	12,251,435	2,220,039	9,409,485	44,792,602

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(All amounts expressed in RMB'000 unless otherwise stated)

6. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(b) Financial risk (continued)

Liquidity risk (continued)

	31 December 2020					
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Liabilities:						
Customer deposits	3,270,249	1,816,570	—	—	—	5,086,819
Securities sold under agreements to repurchase	—	4,098,080	—	—	—	4,098,080
Reinsurance payables	—	452,442	—	—	—	452,442
Bonds payable	—	213,690	4,769,702	2,655,634	—	7,639,026
Other liabilities	—	2,089,957	—	—	419,585	2,509,542
Total	3,270,249	8,670,739	4,769,702	2,655,634	419,585	19,785,909

6. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(b) Financial risk (continued)

Liquidity risk (continued)

	31 December 2019					
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Assets:						
Cash and amounts due from banks and other financial institutions	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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(All amounts expressed in RMB'000 unless otherwise stated)

6. 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.

At 31 December of 2020, Group's maximum exposure are shown below:

	31 December 2020
Wealth management products	3,830,024
Funds investments	3,560,385
Trust investment schemes	1,146,493
Total	8,536,902

(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.

6. 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 2020, 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.

	31 December 2020	31 December 2019
Core capital	15,525,335	14,587,980
Actual capital	15,525,335	14,587,980
Minimum required capital	2,770,002	2,903,217
Core solvency margin ratio	560%	502%
Comprehensive solvency margin ratio	560%	502%

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.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(All amounts expressed in RMB'000 unless otherwise stated)

6. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(e) Fair value measurement (continued)

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.

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 recognised 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.

6. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(e) Fair value measurement (continued)

Determination of fair value and fair value hierarchy (continued)

The following tables provide the fair value measurement hierarchy of the Group's financial assets and liabilities:

	31 December 2020			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Financial assets at fair value through profit or loss				
– Fund investments	994,169	—	—	994,169
– Equity investments	59,022	—	—	59,022
– Debt investments	1,079,921	1,807,470	—	2,887,391
– Wealth management products	998,968	913,506	—	1,912,474
– Unlisted equity investments	—	—	267,310	267,310
Available-for-sale financial assets				
– Debt investments	6,507,185	6,363,668	—	12,870,853
– Equity investments	1,667,131	—	—	1,667,131
– Fund investments	2,566,216	—	—	2,566,216
– Wealth management products	1,416,712	500,838	—	1,917,550
– Unlisted equity investments	—	—	25,613	25,613
	15,289,324	9,585,482	292,923	25,167,729
Assets for which fair values are disclosed				
Investments classified as loans and receivables	—	—	1,146,493	1,146,493
Held-to-maturity financial assets	575,132	115,228	—	690,360
	575,132	115,228	1,146,493	1,836,853

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(All amounts expressed in RMB'000 unless otherwise stated)

6. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(e) Fair value measurement (continued)

Determination of fair value and fair value hierarchy (continued)

	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

6. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(e) Fair value measurement (continued)

Determination of fair value and fair value hierarchy (continued)

Reconciliation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy:

	31 December 2020			
	Beginning of year	Increase	Net unrealized gain recognised in total comprehensive income	End of year
Financial assets at fair value through profit or loss				
– Unlisted equity investments	—	272,312	(5,002)	267,310
Available-for-sale financial assets				
– Unlisted equity investments	25,450	4,910	(4,747)	25,613
	25,450	277,222	(9,749)	292,923

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(All amounts expressed in RMB'000 unless otherwise stated)

7. SUBSIDIARIES

(a) The Company's subsidiaries at 31 December 2020 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")	Shanghai The PRC	Shenzhen, The PRC	Technology Development/ Technology Consulting	RMB 3,000,000	100.00%	Set-up
ZhongAn Online Insurance Broker Limited Company ("ZhongAn Insurance Broker") (a)	Guangzhou, The PRC	Guangzhou, The PRC	Insurance Broker	RMB 300,000	100.00%	Set-up
Hangzhou Qihui Internet Technology Limited Company ("Hangzhou Qihui")	Hangzhou, The PRC	Hangzhou, The PRC	Technology Development/ Technology Consulting	RMB 3,000	100.00%	Equity Purchase
ZhongAn (ShenZhen) Life Sciences Co., Ltd ("ZhongAn Life Sciences")	Shenzhen, The PRC	Shenzhen, The PRC	Bio Technology	RMB 100,000	70.00%	Set-up
Ningbo Haoyin Biotechnology Co., Ltd. ("Ningbo Haoyin")	Ningbo, The PRC	Ningbo, The PRC	Bio Technology	RMB 66,700	54.87%	Set-up
Shanghai Renxin Medical Laboratory Co., Ltd. ("Shanghai Renxin") (b)	Shanghai, The PRC	Shanghai, The PRC	Medical Examination	RMB 20,000	100.00%	Controlled under contractual arrangements
Shanghai Lianmo Information Technology Co., Ltd. ("Shanghai Lianmo")	Shanghai, The PRC	Shanghai, The PRC	Technology Development/ Technology Consulting	RMB 7,010	100.00%	Equity Purchase
ZhongAn (HaiNan) Medical Technology Co., Ltd ("ZhongAn Medical Technology") (c)	Hainan, The PRC	Hainan, The PRC	Medical Service	RMB 5,000	100.00%	Set-up
ZhongAn (Hainan) Telemedicine Centre Ltd. ("ZA Telemedicine Centre")	Hainan, The PRC	Hainan, The PRC	Medical Service	RMB 1,000	100.00%	Set-up
ZhongAn (Hainan) Internet Hospital Ltd. ("ZA Internet Hospital")	Hainan, The PRC	Hainan, The PRC	Internet Hospital	RMB 1,000	100.00%	Set-up
Hebei Xiongan ZhongAn Financial Service Information Technology Limited Company ("Hebei Xiongan Information")	Hebei, The PRC	Hebei, The PRC	Technology Development/ Technology Consulting	RMB 3,000	100.00%	Set-up
ZA Technology Services Ltd. ("ZA Technology")	British Virgin Islands	British Virgin Islands	Technology Development/ Technology Consulting	USD 0.001	100.00%	Set-up

7. SUBSIDIARIES (continued)

(a) The Company's subsidiaries at 31 December 2020 are as follows (continued):

Name	Place of Operations	Place of incorporation/ registration	Nature of business	Registered capital (thousand)	Percentage of equity	Acquisition Mode
ZhongAn (Wuxi) Information Technology Services Ltd. ("ZhongAn (Wuxi) Technology") (d)	Jiangsu, The PRC	Jiangsu, The PRC	Technology Development/ Technology Consulting	RMB 50,000	100.00%	Set-up
Zhongyanshe (Jiaxing) Software Training Ltd. ("Zhongyanshe") (e)	Zhejiang, The PRC	Zhejiang, The PRC	Technology Training	RMB 5,000	100.00%	Set-up
ZhongAn Technologies International Group Limited ("ZhongAn International")	Hong Kong, The PRC	Hong Kong, The PRC	Technology Development/ Technology Consulting	RMB 2,070,784	51.00%	Set-up
ZA Tech Global Limited ("ZA Tech Global") (f)	Hong Kong, The PRC	Hong Kong, The PRC	Technology Development/ Technology Consulting	USD 30,000	49.00%	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")	Singapore	Singapore	Technology Development/ Technology Consulting	HKD 1,000	100.00%	Set-up
ZA Tech Global (Ireland) Limited ("ZA Tech Ireland") (g)	Dublin, Ireland	Dublin, Ireland	Technology Development/ Technology Consulting	EUR 1	100.00%	Set-up
Asia Fintech Center Pte. Ltd ("Asia Fintech Center") (h)	Singapore	Singapore	Fintech	SGD 200	100.00%	Set-up
ZA Life Limited ("ZA Life") (i)	Hong Kong, The PRC	Hong Kong, The PRC	Life Insurance	HKD 1,000,000	65.00%	Set-up
ZhongAn Financial Services Limited ("ZA Financial") (j)	Hong Kong, The PRC	Hong Kong, The PRC	Investment holding	HKD 2,100,000	100.00%	Set-up
ZA Bank Limited ("ZA Bank") (k)	Hong Kong, The PRC	Hong Kong, The PRC	Virtual Bank	HKD 2,100,000	100.00%	Set-up
ZA Care Limited ("ZA Care")	Hong Kong, The PRC	Hong Kong, The PRC	Technology	–	100.00%	Set-up

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(All amounts expressed in RMB'000 unless otherwise stated)

7. SUBSIDIARIES (continued)

(a) The Company's subsidiaries at 31 December 2020 are as follows (continued):

Name	Place of Operations	Place of incorporation/ registration	Nature of business	Registered capital (thousand)	Percentage of equity	Acquisition Mode
ZhongAn Digital Asset Group Limited ("ZA Digital Asset")	British Virgin Islands	British Virgin Islands	Digital Asset	USD 50	100.00%	Set-up
ZAKC Limited (formerly known as ZA Investment Management Limited) ("ZAKC") (l)	Hong Kong, The PRC	Hong Kong, The PRC	Technology Development	HKD 55,700.1	51.00%	Set-up
ZA International Financial Services Limited ("ZA International Financial")	Hong Kong, The PRC	Hong Kong, The PRC	Technology Development/ Technology Consulting	HKD 0.1	100.00%	Set-up
Bloom Rewards Limited ("Bloom Rewards") (m)	Hong Kong, The PRC	Hong Kong, The PRC	Technology Development/ Technology Consulting	HKD 0.1	100.00%	Set-up
ZA International Insurance Broker Limited (formerly known as AA Finance (Hong Kong) Limited) ("ZA International Insurance Broker") (n)	Hong Kong, The PRC	Hong Kong, The PRC	Insurance Broker	HKD 3,000	100.00%	Equity Purchase
ZhongAn (Shenzhen) Technology Consulting Co., Ltd ("ZhongAn Technology Consulting") (o)	Shenzhen, The PRC	Shenzhen, The PRC	Technology Development/ Technology Consulting	USD 20,000	100.00%	Set-up
Beijing Zhongke Haizheng Technology Incubator Co., Ltd. ("Zhongke Haizheng") (p)	Beijing, The PRC	Beijing, The PRC	Technology Development/ Technology Consulting	RMB 60,000	100.00%	Equity Purchase
Taixin Wealth Fund Sales Co., Ltd. ("Taixin Wealth") (p)	Beijing, The PRC	Beijing, The PRC	Fund Sales	RMB 50,000	100.00%	Equity Purchase
Hexin Jiasubao Information Technology (Beijing) Co., Ltd. ("Jiasubao") (p)	Beijing, The PRC	Beijing, The PRC	Technology Development/ Technology Consulting	RMB 50,000	100.00%	Equity Purchase

* All of the subsidiaries of the Company established in the PRC were limited liability company.

7. SUBSIDIARIES (continued)

(a) The Company's subsidiaries at 31 December 2020 are as follows (continued):

(a) On 1 December 2020, the Company injected RMB200,000 thousand into ZhongAn Insurance Broker increasing the registered capital of ZhongAn Insurance Broker to RMB300,000 thousand. The Company holds 100% voting rights of ZhongAn Insurance Broker.

(b) On 6 May 2020, Ningbo Haoyin provided loans of RMB20,000 thousand to the registered owners of Shanghai Renxin for the completion of registered capital injection. Ningbo Haoyin does not have directly or indirectly legal ownership in equity of Shanghai Renxin. Nevertheless, under certain contractual arrangements entered into with Shanghai Renxin and its registered owners, Ningbo Haoyin has rights to exercise power over Shanghai Renxin, receives variable returns from its involvement, and has the ability to affect those returns through its power over Shanghai Renxin. On consolidation date, the fair value of net assets of Shanghai Renxin was RMB16,811 thousand, and the Group recognised goodwill in the amount of RMB3,189 thousand.

(c) On 23 July 2020, ZhongAn Technoloy acquired 30% of equity of ZhongAn Medical Technology for consideration of RMB1,500 thousand pursuant to the euiqty transfer agreement with Shenzhen Guanghuayuanjing Investment Limited Company. After this transaction, ZhongAn Technology holds 100% of voting rights of ZhongAn Medical Technology.

(d) On 3 December 2020, ZhongAn Technology set up ZhongAn (WuXi) Technology, with registered capital of RMB50,000 thousand. ZhongAn Technology holds 100% of voting rights of ZhongAn (WuXi) Technology.

(e) On 15 May 2020, ZhongAn Technology set up Zhongyanshe, with registered capital of RMB5,000 thousand. ZhongAn Technology holds 100% of voting rights of Zhongyanshe.

(f) On 30 September 2020, ZhongAn International together with SVF Zen JVCo (Singapore) Pte. Ltd injected USD10,000 thousand in total into ZA Tech Global, amongst which ZhongAn International injected USD4,900 thousand and SVF Zen JVCo (Singapore) Pte. Ltd injected USD5,100 thousand. After this transaction, ZhongAn International still 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.

(g) On 2 March 2020, ZA Tech Global set up ZA Tech Ireland, with registered capital of EUR1,000. ZA Tech Global holds 100% of voting rights of ZA Tech Ireland. ZhongAn Technology has control over ZA Tech Ireland through ZA Tech Global.

(h) On 27 November 2020, ZA Tech Global set up Asia Fintech Center, with registerd capital of SGD200 thousand. ZA Tech Global holds 100% voting rights of Asia Fintech Center. ZhongAn Technology has control over Asia Fintech Center through ZA Tech Global.

(i) On 17 April 2020, ZhongAn International together with Fubon Life Insurance (Hong Kong) Company Limited ("Fubon Life Insurance") injected HKD999,999 thousand in total into ZA Life, amongst which ZhongAn International injected HKD649,999 thousand and Fubon Life Insurance injected HKD350,000 thousand. After this transaction, the paid-up capital of ZA Life increased to HKD1,000,000 thousand in accordance with the registered capital. ZhongAn International holds 65% of the voting rights of ZA Life.

(j) On 16 November 2020, ZhongAn International injected HKD600,000 thousand into ZA Financial. After this transaction, the registered capital of ZA Financial increased to HKD2,100,000 thousand and ZhongAn International holds 100% of voting rights of ZA Financial.

(k) On 16 November 2020, ZA Financial injected HKD600,000 thousand into ZA Bank. After this transaction, the registered capital of ZA Bank increased to HKD2,100,000 thousand and ZhongAn International holds 100% of voting rights of ZA Bank through ZA Financial.

(l) On 27 August 2020, ZhongAn International together with Trans-Island ChinaLink Bus Company Limted ("Chinalink Bus") injected HKD55,700 thousand in total into ZAKC, amongst which ZhongAn International injected HKD14,000 thousand in cash and non-cash services valued at HKD14,400 thousand, and ChinaLink Bus Company injected non-cash services valued at HKD27,300 thousand. After this transaction, the paid-in capital of ZAKC increased to HKD55,700.1 thousand. ZhongAn International holds 51% of voting rights of ZAKC. ZhongAn Technology has control over ZAKC through ZhongAn International.

(m) On 18 June 2020, ZhongAn International set up Bloom Rewards, with registered capital of HKD100. ZhongAn International holds 100% of voting rights of Bloom Rewards. ZhongAn Technology has control over Bloom Rewards through ZhongAn International.

(n) On 20 September 2020, ZhongAn International signed a share purchase agreement with Sinolink Worldwide Holdings Limited("Sinolink Worldwide") to acquire 100% of equity of ZA International Insurance Broker (formerly known as AA Finance (Hong Kong) Limited) for consideration of HKD2,000 thousand. As a result, ZhongAn International holds 100% of voting rights of ZA International Insurance Broker. The acquisition is accounted for as an asset acquisition since it does not meet the definition of a business. On acquisition date, the fair value of net assets of ZA International Insurance Broker was HKD114 thousand, and the Group recognised intangible assets in the amount of HKD1,886 thousand.

On 28 September 2020, ZhongAn International injected HKD1,000 thousand into ZA International Insurance Broker, increasing its registered capital to HKD3,000 thousand. ZhongAn International holds 100% of voting rights of ZA International Insurance Broker. ZhongAn Technology has control over ZA International Insurance Broker through ZhongAn International.

(o) On 7 December 2020, ZhongAn International set up ZhongAn Technology Consulting, with registered capital of USD20,000 thousand. ZhongAn International holds 100% voting rights of ZhongAn Technology Consulting. ZhongAn Technology has control over ZhongAn Technology Consulting through ZhongAn International.

(p) On 3 November 2020, ZhongAn Insurance Broker signed an equity transfer agreement with Hexin Network Technology Co., Ltd. to acquire 100% of equity of Zhongke Haizheng and its subsidiaries, Taixin Wealth and Jiasubao ("Zhongke Haizheng Group") for consideration of RMB63,000 thousand. As a result, ZhongAn Insurance Broker holds 100% of voting rights of Zhongke Haizheng Group. The acquisition is accounted for as an asset acquisition since it does not meet the definition of a business. The major assets acquired in the transaction was a licence for fund distribution, which was subject to the regulator's approval for transfer. On acquisition date, the fair value of net assets of Zhongke Haizheng Group was RMB3,632 thousand, and the Group recognised other assets in the amount of RMB59,368 thousand.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(All amounts expressed in RMB'000 unless otherwise stated)

7. 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 income/(loss) attributable to NCI	Non-controlling interests
ZhongAn International	49.0%	(364,521)	1,669,814
ZhongAn Life Sciences	30.0%	(7,098)	12,619
ZhongAn Medical Technology	30.0%	(323)	—
Shanghai Dexu	1.4%	(98)	5,552

	31 December 2020		31 December 2019	
	Assets	Liabilities	Assets	Liabilities
ZhongAn International	7,990,727	5,739,972	2,225,539	381,884
ZhongAn Life Sciences	77,488	40,368	91,232	37,108
ZhongAn Medical Technology	5,126	4,210	3,985	72
Shanghai Dexu	394,544	325	377,025	283

	Year ended 31 December 2020			Year ended 31 December 2019		
	Revenue	Net loss for the year	Total comprehensive loss	Revenue	Net loss for the year	Total comprehensive loss
ZhongAn International	249,122	(485,258)	(637,228)	113,821	(310,011)	(279,335)
ZhongAn Life Sciences	7,332	(17,004)	(17,004)	19,813	(27,315)	(27,315)
ZhongAn Medical Technology	2,301	(2,997)	(2,997)	—	(1,087)	(1,087)
Shanghai Dexu	2,125	(6,874)	(6,874)	10,978	1,919	1,919

7. SUBSIDIARIES (continued)

(b) Non-controlling interests (continued)

Changes in non-controlling interests:

	Shanghai Dexu	ZhongAn International	ZhongAn Life Sciences	ZhongAn Medical Technology	Total
31 December 2019	—	1,572,985	19,717	1,174	1,593,876
Total comprehensive loss	(98)	(364,521)	(7,098)	(323)	(372,040)
Contributions from non-controlling interests (i)	—	955,534	—	—	955,534
Consideration paid to non-controlling interests (ii)	—	(495,628)	—	(851)	(496,479)
Non-controlling interests on acquisition of subsidiary (iii)	5,650	—	—	—	5,650
Share-based payments	—	1,444	—	—	1,444
31 December 2020	5,552	1,669,814	12,619	—	1,687,985

(i) On 16 January 2020, ZhongAn Technology and Sinolink Worldwide injected RMB600,000 thousand and RMB576,471 thousand into ZhongAn International respectively. After this transaction, Sinolink Worldwide remains 49% of the voting rights of ZhongAn International as non-controlling interest.

On 17 April 2020, ZhongAn International and Fubon Life Insurance injected HKD649,999 thousand and HKD350,000 thousand respectively into ZA Life, equivalent to RMB594,152 thousand and RMB319,927 thousand. After this transaction, Fubon Life remains 35% of the voting rights of ZA Life as non-controlling interest.

On 27 August 2020, ZhongAn International injected HKD14,000 thousand and non-cash service valued at HKD14,400 thousand, and ChinaLink Bus injected non-cash service valued at HKD27,300 thousand, respectively into ZAKC, equivalent to RMB25,133 thousand and RMB24,158 thousand. After this transaction, ChinaLink Bus holds 49% of the voting rights of ZAKC as non-controlling interest.

On 30 September 2020, ZhongAn International and SVF Zen JVCO (singapore) Pte. Ltd. injected USD4,900 thousand and USD5,100 thousand respectively into ZA Tech Global, equivalent to RMB33,630 thousand and RMB34,978 thousand. 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.

(ii) On 25 July 2020, ZhongAn Technology bought back 30% of equity of ZhongAn Medical Technology for consideration of RMB1,500 thousand pursuant to the euiqty transfer agreement with Shenzhen Guanghuayuanjing Investment Limited Company. After this transaction, ZhongAn Technology holds 100% of voting rights of ZhongAn Medical Technology and the non-controlling interests of ZhongAn Medical Technology decreased by RMB 851 thousand.

On 16 January 2020, ZhongAn International redeemed 480,000 thousand redeemable preference shares from Sinolink Worldwide at a total redemption price of RMB 511,894 thousand and the non-controlling interests of ZhongAn International decreased by RMB495,628 thousand.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(All amounts expressed in RMB'000 unless otherwise stated)

7. SUBSIDIARIES (continued)

(b) Non-controlling interests (continued)

(iii) Business combination

On 12 June 2020, the Company acquired 29% of equity of Shanghai Dexu Investment Center (Limited Partnership) ("Shanghai Dexu") for consideration of RMB25,000 thousand pursuant to the equity transfer agreement with TongXiu Commercial Factoring Co.,Ltd. As a result, the Company holds 98.6% of equity of Shanghai Dexu and has control over the entity.

Details of total acquisition cost are as follows:

Cash paid	25,000
Fair value of shareholding before acquisition date	338,951
Total acquisition cost	363,951

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair Value
Cash and cash equivalents	4,274
Financial assets at fair value through profit or loss	369,753
Other assets	27,245
Other liabilities	(179)
Net identifiable assets acquired	401,093
Less: Non-controlling interests	(5,650)
Gains arising from the acquisition	(31,492)
	363,951

(c) At 31 December 2020, consolidated structured entities are as followings:

Name	Holding by the Company (%)	Total Subscription (RMB'000)	Principal activities
ZhongAn LeXiang No.1 Asset Management Plan	100%	3,547,207	Asset Management Product
ZhongAn TaiKang Asset Management Plan	100%	3,514,453	Asset Management Product
ICBC Credit Suisse Asset Management ZhongAn Insurance No.1 Asset Management Plan	100%	800,000	Asset Management Product
Shanghai Dexu	98.6%	350,000	Equity Investment

8. NET PREMIUMS EARNED

	Year ended 31 December 2020	Year ended 31 December 2019
Gross written premiums (a)	16,708,504	14,629,589
– Property and casualty insurance written premiums	8,392,571	8,197,079
– Short-term life insurance written premiums	8,313,326	6,432,510
– Long-term life insurance written premiums	2,607	—
Less: Premiums ceded to reinsurers (b)	(522,683)	(234,148)
Net written premiums	16,185,821	14,395,441
Less: Net change in unearned premium reserves	29,383	(1,593,990)
Net premiums earned	16,215,204	12,801,451

(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 2020	Year ended 31 December 2019
Health insurance	6,426,446	4,634,895
Accident insurance	1,886,880	1,797,615
Bond insurance	1,839,208	2,938,766
Motor insurance	1,328,248	1,263,723
Credit insurance	638,181	440,297
Household property insurance	256,922	49,963
Cargo insurance	198,436	203,444
Liability insurance	117,134	137,129
Long-term life insurance	2,607	—
Others	4,014,442	3,163,757
	16,708,504	14,629,589

Others primarily consist of shipping return insurance, which generated gross written premiums of RMB3,834,418 thousand and RMB3,072,572 thousand for the years ended 31 December 2020 and 2019, respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(All amounts expressed in RMB'000 unless otherwise stated)

8. NET PREMIUMS EARNED (continued)

(b) Premiums ceded to reinsurers

	Year ended 31 December 2020	Year ended 31 December 2019
Health insurance	316,694	206,255
Credit insurance	172,102	—
Accident insurance	31,917	26,606
Others	1,970	1,287
	522,683	234,148

9. NET INVESTMENT INCOME

	Year ended 31 December 2020	Year ended 31 December 2019
Interest income		
– Debt investments	507,579	486,044
– Trust investment schemes	73,280	63,045
– Bank deposit	60,596	61,970
– Securities purchased under agreements to resell	3,661	8,070
Dividend income		
– Fund investments	105,197	193,553
– Wealth management products	78,575	221,778
– Equity investments	25,575	28,442
Realized gains, net	673,035	712,884
	1,527,498	1,775,786

10. NET FAIR VALUE CHANGES THROUGH PROFIT OR LOSS

	Year ended 31 December 2020	Year ended 31 December 2019
Financial assets designated at fair value through profit or loss		
– Fund investments	15,070	38,331
– Wealth management products	13,583	32,703
– Equity investments	4,799	90,295
– Unlisted equity investments	(5,003)	—
– Debt investments	(53,966)	8,567
	(25,517)	169,896

11. OTHER INCOME

	Year ended 31 December 2020	Year ended 31 December 2019
Revenue from services (a)	534,247	278,479
Government grants (b)	124,096	69,878
Sale of goods (c)	7,875	21,264
Interest income from loans and advances to customers (d)	60,430	5,997
Others	49,330	1,213
	775,978	376,831

(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 mainly derived from banking business operated by ZA Bank.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(All amounts expressed in RMB'000 unless otherwise stated)

12. NET CLAIMS INCURRED

	Year ended 31 December 2020	Year ended 31 December 2019
Insurance claims paid (a)	8,182,303	8,291,538
– Property and casualty insurance claims paid	5,834,336	6,691,839
– Short-term life insurance claims paid	2,347,962	1,599,699
– Long-term life insurance claims paid	5	—
Less: Claims paid ceded to reinsurers (b)	(369,254)	(256,472)
Net claims paid	7,813,049	8,035,066
Add: Net change in insurance contract liabilities	960,855	589,623
	8,773,904	8,624,689

(a) Insurance claims paid

	Year ended 31 December 2020	Year ended 31 December 2019
Health insurance	1,965,052	1,054,767
Bond insurance	1,564,462	1,961,157
Motor insurance	566,867	565,433
Accident insurance	382,910	544,932
Liability insurance	284,421	474,598
Credit insurance	201,045	1,092,630
Cargo insurance	181,007	193,996
Household property insurance	47,153	8,494
Others	2,989,386	2,395,531
	8,182,303	8,291,538

Others primarily consist of shipping return insurance, the insurance claims paid of which were RMB2,920,588 thousand and RMB2,299,248 thousand for the years ended 31 December 2020 and 2019, respectively.

12. NET CLAIMS INCURRED (continued)

(b) Claims paid ceded to reinsurers

	Year ended 31 December 2020	Year ended 31 December 2019
Health insurance	269,106	119,481
Accident insurance	66,156	132,149
Credit insurance	28,487	—
Others	5,505	4,842
	369,254	256,472

13. HANDLING CHARGES AND COMMISSIONS

	Year ended 31 December 2020	Year ended 31 December 2019
Handling charges and commissions before reinsurance arrangement	1,390,722	911,058
Less: Reinsurance commission expenses/(income)	16,145	(1,149)
	1,406,867	909,909

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(All amounts expressed in RMB'000 unless otherwise stated)

14. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December 2020	Year ended 31 December 2019
Consulting and technical fee(a)	3,074,255	2,751,841
Advertising and marketing expense	1,830,249	608,574
Employee benefit expense	984,853	950,048
Impairment loss	361,034	192,630
Amortisation of intangible assets	105,771	86,886
Amortisation of right-of-use assets	93,695	99,248
Taxes and surcharges	82,848	60,684
Depreciation of property and equipment	36,919	42,257
Auditors' remuneration	16,375	12,637
Rental fees	11,386	11,187
Other	571,102	600,867
	7,168,487	5,416,859

(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.

15. OTHER EXPENSES

	Year ended 31 December 2020	Year ended 31 December 2019
Cost of providing services	499,482	184,045
Expense of providing services	378,942	426,878
Cost of bank expense	33,627	—
Other	19,617	19,342
	931,668	630,265

16. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' AND SUPERVISORS' REMUNERATION)

	Year ended 31 December 2020	Year ended 31 December 2019
Salaries, allowances and other short-term benefits	886,733	800,403
Contributions to defined contribution plans (a)	95,007	149,645
Share-based payments	3,113	—
	984,853	950,048

(a) Contributions to defined contribution plans mainly include contributions made to the state pension schemes.

17. DIRECTORS' AND SUPERVISORS' REMUNERATION

	Year ended 31 December 2020	Year ended 31 December 2019
Wages, salaries and bonuses	4,774	5,507
Share-based payments	—	—
Pension costs - defined contribution plans	4	88
Other social security costs, housing benefits and other employee benefits	62	87
	4,840	5,682

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(All amounts expressed in RMB'000 unless otherwise stated)

17. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(a) Independent non-executive directors

	Year ended 31 December 2020				
	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)	210	—	—	—	210
ZHANG Shuang (張爽)	210	—	—	—	210
LI YIFAN	210	—	—	—	210
WU Ying (吳鷹)	203	—	—	—	203
OU Wei (歐偉)	210	—	—	—	210
	1,043	—	—	—	1,043

	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

17. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(b) Executive directors and non-executive directors

	Year ended 31 December 2020				
	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)	166	—	—	—	166
OU Jinyi (歐晉羿)	1,617	—	14	—	1,631
Non-executive directors:					
HAN Xinyi (韓歆毅)	—	—	—	—	—
LAI Chi Ming, Jimmy (賴智明)[1]	—	—	—	—	—
SHI Liangxun (史良洵)	63	—	—	—	63
HU Xiaoming (胡曉明)[2]	—	—	—	—	—
YIN Ming (尹銘)	—	—	—	—	—
	1,846	—	14	—	1,860

1. Resigned from non-executive directors in March 2020

2. Resigned from non-executive directors in August 2020

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(All amounts expressed in RMB'000 unless otherwise stated)

17. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(b) Executive directors and non-executive directors (continued)

	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

17. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(c) Supervisors

	Year ended 31 December 2020				
	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)	1,835	4	48	—	1,887
	1,885	4	48	—	1,937

	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

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 2020 and 2019, respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(All amounts expressed in RMB'000 unless otherwise stated)

18. 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 2020	Year ended 31 December 2019
Nil to RMB1,000,000	—	—
RMB1,000,001 to RMB2,000,000	—	4
RMB2,000,001 to RMB3,000,000	5	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 2020	Year ended 31 December 2019
Wages, salaries and bonuses	12,463	9,743
Pension costs — defined contribution plans	19	222
Other social security costs, housing benefits and other employee benefits	267	265
	12,749	10,230

19. INCOME TAX

(a) Income tax

	Year ended 31 December 2020	Year ended 31 December 2019
Current income tax	5,136	3,441
Deferred income tax (note 37)	(112,986)	24,366
	(107,850)	27,807

(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 2020	Year ended 31 December 2019
Profit/(Loss) before income tax	146,530	(610,838)
Tax computed at the applicable tax rate	93,033	(87,938)
Income not subject to tax	(29,287)	(47,965)
Expenses not deductible for tax	1,464	1,898
Extra tax deductions for research and development costs	(36,732)	(33,262)
Tax losses for which no deferred income tax asset was recognised	255,431	244,904
Adjustments to income tax in respect of previous years	492	(50,121)
Utilization of previously unrecognised tax losses	(392,251)	—
Others	—	291
Income tax at the Group's effective rate	(107,850)	27,807

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(All amounts expressed in RMB'000 unless otherwise stated)

20. PROFIT/(LOSS) PER SHARE

Basic profit/(loss) per share is calculated by dividing net profit/(loss) for the year by the weighted average number of shares in issue during the year. Diluted profit/(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 profit/(loss) per share is based on the following:

	Year ended 31 December 2020	Year ended 31 December 2019
Net profit/(loss) for the year attributable to owners of the parent	553,786	(454,101)
Weighted average number of shares in issue (in thousand)	1,469,813	1,469,813
Basic profit/(loss) per share (RMB yuan)	0.38	(0.31)
Diluted profit/(loss) per share (RMB yuan)	0.38	(0.31)

The Company had no dilutive potential shares at 31 December 2020 and 2019, respectively.

21. OTHER COMPREHENSIVE INCOME/(LOSS)

	Year ended 31 December 2020	Year ended 31 December 2019
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
– Reclassification adjustments for amounts transferred to profit or loss	156,171	6,584
– Changes in the fair value of available-for-sale financial assets, before tax	300,150	(103,804)
	456,321	(97,220)
Income tax relating to available-for-sale financial assets	(112,945)	24,305
Exchange differences on translation of foreign operations	(186,621)	30,631
Other comprehensive income/(loss)	156,755	(42,284)

22. CASH AND AMOUNTS DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

(a) Cash and amounts due from banks and other financial institutions are as follows:

	31 December 2020	31 December 2019
Cash in hand	56	102
Deposits with original maturity of no more than three months	6,023,043	1,512,322
Placements with banks and other financial institutions	1,401,509	667,627
Due from banks	643,026	465,770
Other monetary assets (i)	350,740	268,999
	8,418,374	2,914,820

(i) Other monetary assets refer to funds deposited by the Group for daily business operations and investment activities.

(b) Cash and cash equivalents are as follows:

	31 December 2020	31 December 2019
Cash in hand	56	102
Deposits with original maturity of no more than three months	6,023,043	1,512,322
Placements with banks and other financial institutions with maturity of no more than three months	1,201,172	667,627
Due from banks	643,026	465,770
Other monetary assets	350,740	268,999
	8,218,037	2,914,820

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(All amounts expressed in RMB'000 unless otherwise stated)

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2020	31 December 2019
Listed		
– Debt investments	1,108,625	1,539,220
– Equity investments	59,022	56,456
Unlisted		
– Wealth management products	1,912,474	1,263,751
– Debt investments	1,778,766	2,642,604
– Fund investments	994,169	718,505
– Equity investments	267,310	—
	6,120,366	6,220,536

24. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

	31 December 2020	31 December 2019
Securities - bonds		
– Stock exchange	93,000	—
– Inter-bank market	—	160,000
	93,000	160,000

25. INTEREST RECEIVABLES

	31 December 2020	31 December 2019
Debt investments	306,173	283,283
Bank deposits	36,765	26,855
Loans	2,488	—
Trust investment schemes	2,147	2,112
Securities purchased under agreements to resell	2	8
Less: Impairment provisions	(6,180)	(6,180)
	341,395	306,078

26. PREMIUM RECEIVABLES

	31 December 2020	31 December 2019
Premium receivables	4,781,317	3,712,817
Less: Provision for impairment of premium receivables	(303,403)	(180,657)
	4,477,914	3,532,160

Aging analysis of the premium receivables is as follows:

	31 December 2020	31 December 2019
Within 3 months (including 3 months)	4,457,403	3,444,507
Over 3 months and within 1 year (including 1 year)	20,511	87,653
Over 1 year	—	—
	4,477,914	3,532,160

27. REINSURANCE RECEIVABLES

	31 December 2020	31 December 2019
Reinsurance receivables	319,525	238,028
Less: Provision for impairment of reinsurance receivables	—	—
	319,525	238,028

Aging analysis of reinsurance receivables is as follows:

	31 December 2020	31 December 2019
Within 1 year (including 1 year)	305,860	222,453
Over 1 year	13,665	15,575
	319,525	238,028

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(All amounts expressed in RMB'000 unless otherwise stated)

28. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are stated at fair value and comprise the following:

	31 December 2020	31 December 2019
Listed		
– Debt investments	6,994,783	2,849,160
– Equity investments	1,667,131	2,026,064
– Fund investments	343,604	43,019
Unlisted		
– Debt investments	5,985,060	4,791,274
– Fund investments	2,222,612	1,230,064
– Wealth management products	1,917,550	1,312,328
– Equity investments	25,613	25,450
Less: Impairment provisions	(108,990)	(76,687)
	19,047,363	12,200,672

29. LOANS AND ADVANCES TO CUSTOMERS

(a) Analyzed by corporate and individual

	31 December 2020	31 December 2019
Individual customers	549,580	—
Corporate customers	75,253	50,900
Less: Loan loss provisions (b)	(1,089)	—
	623,744	50,900

All the loans and advances to customers are unsecured.

(b) Loan loss provisions

1 January 2020	—
Provision for the year	(1,089)
Reversal during the year	—
31 December 2020	(1,089)

30. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	31 December 2020	31 December 2019
Trust investment schemes	1,219,133	1,276,676
Less: Impairment provisions	(72,640)	—
	1,146,493	1,276,676

The Group's maximum exposure to loss in the trust investment schemes is limited to their carrying amounts, see Note 6(b).

31. TERM DEPOSITS

Maturity Period	31 December 2020	31 December 2019
3 months to 1 year (including 1 year)	30,090	—
2 to 3 years (including 3 years)	300,000	—
3 to 4 years (including 4 years)	—	300,000
	330,090	300,000

32. RESTRICTED STATUTORY DEPOSITS

	31 December 2020	31 December 2019
At the beginning of the year	294,338	293,963
Increase	—	48,500
Decrease	—	(48,125)
At the end of the year	294,338	294,338

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(All amounts expressed in RMB'000 unless otherwise stated)

32. RESTRICTED STATUTORY DEPOSITS (continued)

	31 December 2020		
	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 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		

In accordance with relevant provision of Insurance Law of the PRC, the Company should place 20% of its share capital as restricted statutory deposits.

33. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	1 January 2020	Additions	Share of profit/ (loss)	Transfer out/ disposal	Other changes in capital reserves	Other	31 December 2020
Shanghai Dexu (a)	318,374	—	20,577	(338,951)	—	—	—
ZA-CP Network Technology (Shanghai) Co., Ltd. (the "ZA-CP")	4,696	—	(3,985)	—	—	—	711
Youwozai (Beijing) Network Technology Limited Company ("Youwozai (Beijing)") (b)	3,200	—	(710)	(2,490)	—	—	—
Shenzhen Small and Medium P&C-Union Investment Co., Ltd. (the "Shenzhen Small and Medium") (c)	5,277	—	(367)	(4,910)	—	—	—
Shanghai Nuanwa Technology Co., Ltd. (the"Shanghai Nuanwa")	35,884	—	(2,008)	—	—	—	33,876
Shanghai Xiaojia Financial Technology Service Co., Ltd. (the "Shanghai Xiaojia")	2,296	—	(14)	—	—	—	2,282
Chongqing ZhongAn Microloan Limited Company ("ZhongAn Microloan")	208,874	—	2,870	—	—	—	211,744
A3 Holdings Inc. (the "A3 Holdings") (d)	28,133	15,802	(28,599)	—	—	(942)	14,394
Nova Technology Ltd. ("Nova Technology") (e)	5,632	—	(15,152)	—	30,738	—	21,218
Shanghai Dingzuan Ltd. ("Dingzuan")	943	—	(943)	—	—	—	—
Shanghai Zhongzhirong Digital Technology Ltd. ("Zhongzhirong") (f)	—	3,000	(89)	—	—	—	2,911
Shanghai JuA Technology Ltd. ("Shanghai JuA") (g)	—	11,025	(5,513)	(5,513)	—	3,547	3,546
Data Enlighten (Asia) Limited (Data Enlighten) (h)	—	13,056	(89)	—	—	5	12,972
RD Wallet Technologies Limited ("RD Wallet") (i)	—	13,072	(1,519)	—	—	82	11,635
	613,309	55,955	(35,541)	(351,864)	30,738	2,692	315,289

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(All amounts expressed in RMB'000 unless otherwise stated)

33. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (continued)

(a) On 12 June 2020, the Company acquired 29% of equity of Shanghai Dexu for consideration of RMB25,000 thousand pursuant to the equity transfer agreement with TongXiu Commercial Factoring Co.,Ltd. As a result, the Company holds 99% of equity of Shanghai Dexu and has control over the entity.

(b) On 29 December 2020, ZhongAn Technology withdrew 36.93% of equity of Youwozai (Beijing), and investment loss of RMB2,490 thousand was recognised due to this transaction. An amount of RMB4,805 thousand previously recognised in other comprehensive income was reclassified to the statement of comprehensive income.

(c) On 31 December 2020, the Company no longer has a seat on the board of Shenzhen Small and Medium. As a result, the company has no significant influence on the entity and classified it as available-for-sale financial assets.

(d) On 19 June 2020, ZA Tech Global Cayman injected USD500 thousand in cash and non-cash services valued at USD900 thousand to A3 Holdings, equivalent to RMB9,930 thousand in total. On 31 December 2020, ZA Tech Global Cayman agreed to further provide development services valued at USD900 thousand to A3 Holdings equivalent to RMB5,872 thousand. As a result, ZA Tech Global Cayman remains 40% of voting rights of A3 Holdings, and ZhongAn Tech Global holds 40% of 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 directors of A3 Holdings.

(e) On 21 February 2020 and 26 February 2020, SCC Venture VII Holdco, Ltd., LFC Investment Hong Kong Limited, Lighthouse International Growth Fund L.P. and Lighthouse Fellow L.P. injected RMB112,230 thousand into Nova Technology pursuant to the capital injection agreement. After this transaction, ZA Technology's share of Nova Technology's equity increased by RMB30,738 thousand.

(f) On 9 April 2020, ZhongAn Technology together with Zhejiang Hesheng Digital Technology Co., Ltd and Shanghai Fucheng Enterprise Management Consulting Center LLP signed a capital injection agreement. ZhongAn Technology injected RMB3,000 thousand into Zhongzhirong and obtained 30% of voting rights of Zhongzhirong. ZhongAn Technology acts as a shareholder with 2 out of 5 seats on the board of directors of Zhongzhirong.

(g) On 4 March 2020, ZhongAn Technology set up Shanghai JuA, with registered capital of RMB5,000 thousand. On 21 July 2020, ZhongAn Technology injected non-monetary assets valued at RMB6,025 thousand to Shanghai JuA and the registered capital of Shanghai JuA increased to RMB10,000 thousand. On 18 September 2020, ZhongAn Technology together with Shanghai XingSheng Business Consulting Partnership (Limited Partnership) and Shanghai EnSheng Business Consulting Partnership (Limited Partnership) signed a tripartite equity transfer agreement to transfer 25% of euiqty of Shanghai JuA to both companies respectively at the price of RMB5,000 thousand in total. After this transaction, ZhongAn Technology holds 50% of voting rights of Shanghai JuA.

(h) On 27 October 2020, ZA Tech Global subscribed 1,628 ordinary shares of Data Enlighten at with USD2,000 thousand equivalent to RMB13,056 thousand. ZA Tech Global holds 14% voting rights of Data Enlighten. ZA Tech Global acts as an investor with 1 designated director in the board of directors of Data Enlighten.

(i) On 28 August 2020, ZA Digital Asset together with Bright Venture, Dragonfly, Eminent and HashKey, First Achieve Holdings Limited and RD Wallet entered into an investment agreement, pursuant to the agreement, ZA Digital Asset as an investor shall invest USD10,000 thousand in consideration for 1,000,000 shares, representing 19.996% voting rights of RD Wallet. ZhongAn Digital Asset paid 20% of the investment amount as first tranche payment equivalent to RMB13,072 thousand and designated 1 director in the board of directors of RD Wallet.

33. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (continued)

Nature of investment in associates and joint ventures at 31 December 2020

Name	Place of incorporation	Percentage of ownership interest	Percentage of voting power	Registered capital (thousand)	Paid-in capital (thousand)	Principal activity
Shanghai Nuanwa	Shanghai, The PRC	44.00%	44.00%	RMB 11,000	RMB 11,000	Technology consulting
Shanghai Xiaojia	Shanghai, The PRC	8.00%	20.00%	RMB 30,000	RMB 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%	RMB 510,000	RMB 510,000	Micro finance
A3 Holdings	Cayman Islands	40.00%	40.00%	USD 50	USD 50	Technology Development/ Insurance Broker
Nova Technology	Cayman Islands	33.69%	33.69%	USD 50	USD 50	Investment Holding
Dingzuan	Shanghai, The PRC	49.00%	49.00%	RMB 2,000	RMB 2,000	Technology consulting
Zhongzhirong	Shanghai, The PRC	30.00%	30.00%	RMB 10,000	RMB 8,000	Technology consulting
Shanghai Ju'A	Shanghai, The PRC	50.00%	50.00%	RMB 10,000	RMB 10,000	Technology consulting
Data Enlighten	Hong Kong, The PRC	14.00%	14.00%	USD 2,000	USD 2,000	Automobile claims
RD Wallet	Hong Kong, The PRC	19.996%	19.996%	USD 50,000	USD 10,000	Assets Platform

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(All amounts expressed in RMB'000 unless otherwise stated)

34. Leases

(a) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	31 December 2020	31 December 2019
Right-of-use assets		
Buildings	276,079	360,257
Equipment	1,670	3,378
	277,749	363,635
Lease liabilities	318,556	398,366

Additions to the right-of-use assets in 2020 were RMB 40,152 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 2020	31 December 2019
Depreciation charge of right-of-use assets		
Buildings	(124,444)	(131,279)
Equipment	(1,594)	(1,836)
	(126,038)	(133,115)
Interest expense	22,922	21,791
Expense relating to short-term leases	11,386	11,187

The total cash outflow to leases in 2020 was RMB 142,884 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 month 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.

35. PROPERTY AND EQUIPMENT

	Motor vehicles	Electrical equipment	Office furniture and equipment	Leasehold improvements	Total
Cost					
1 January 2019	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
Additions	—	9,141	861	3,668	13,670
Disposals	(863)	(1,487)	—	—	(2,350)
31 December 2020	**3,612**	**67,421**	**10,677**	**136,545**	**218,255**
Accumulated depreciation and impairment					
1 January 2019	(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)
Depreciation charge	(135)	(11,504)	(1,997)	(24,736)	(38,372)
Disposals	820	1,287	—	—	2,107
31 December 2020	**(2,709)**	**(37,693)**	**(7,098)**	**(104,732)**	**(152,232)**
Net book value					
31 December 2020	**903**	**29,728**	**3,579**	**31,813**	**66,023**
31 December 2019	1,081	32,291	4,715	52,881	90,968

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(All amounts expressed in RMB'000 unless otherwise stated)

36. INTANGIBLE ASSETS

	Software	Patent	Other	Total
Cost				
1 January 2019	569,495	30,100	1,826	601,421
Additions	235,209	—	—	235,209
31 December 2019	804,704	30,100	1,826	836,630
Additions	232,139	—	1,588	233,727
31 December 2020	1,036,843	30,100	3,414	1,070,357
Accumulated amortisation and impairment				
1 January 2019	(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)
Amortization	(147,409)	(3,010)	(183)	(150,602)
Impairment	(90,427)	—	—	(90,427)
31 December 2020	(581,301)	(7,023)	(556)	(588,880)
Net book value				
31 December 2020	455,542	23,077	2,858	481,477
31 December 2019	461,239	26,087	1,453	488,779

37. DEFERRED INCOME TAX ASSETS AND LIABILITIES

	31 December 2020	31 December 2019
Net deferred income tax assets or liabilities, at the beginning of year	(42)	19
Recognised in profit or loss	112,986	(24,366)
Recognised in other comprehensive income	(112,945)	24,305
Net deferred income tax assets or liabilities, at the end of year	(1)	(42)

37. 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 2020	31 December 2019
Deferred income tax liabilities		
Accumulated taxable losses	203,601	307,136
Insurance contract liabilities	341,621	99,484
Amortisation of intangible assets	43,489	26,971
Impairment loss provisions	157,164	60,728
Employee stock ownership plan	9,600	9,600
Net estimated liabilities for sales return	793	—
Unrealized gains of structured entities	(622,292)	(480,245)
Net fair value adjustment on available-for-sale financial assets	(91,227)	21,718
Net fair value adjustment on financial assets at fair value through profit or loss	(33,285)	(41,021)
Share of net profit of associates and joint ventures accounted for using the equity method	(9,465)	(4,413)
Net deferred income tax liabilities	(1)	(42)
Represented by		
Deferred income tax assets	756,268	525,637
Deferred income tax liabilities	(756,269)	(525,679)

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 2020, the Group did not recognise deferred income tax assets of RMB626,883 thousand in respect of losses amounting to RMB3,296,876 thousand that can be carried forward against future taxable income.

38. OTHER ASSETS

	31 December 2020	31 December 2019
Receivable from securities clearing	729,309	73,833
Advanced payment	555,668	442,125
Subrogation receivables	275,718	574,340
Coinsurance expense to be reimbursed	205,606	279,631
Right to surrender cost	49,406	—
Deposits	37,148	49,429
Estimate of input tax	25,716	37,335
Assets recognised from costs to fulfil a contract	33,183	16,334
Others	373,498	108,091
Less: Provisions for other assets	(3,148)	(3,566)
Total	2,282,104	1,577,552

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(All amounts expressed in RMB'000 unless otherwise stated)

39. SHARE CAPITAL

	31 December 2020	31 December 2019
Number of shares issued and fully paid at RMB1 yuan each	1,469,813	1,469,813

40. 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.

41. CUSTOMER DEPOSITS

	31 December 2020	31 December 2019
Current and savings accounts		
– Corporate customers	955	—
– Individual customers	3,269,294	7,740
Term deposits		
– Corporate customers	842	—
– Individual customers	1,790,031	16,101
	5,061,122	23,841

42. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	31 December 2020	31 December 2019
Securities - bonds		
– Inter-bank market	2,831,022	2,326,973
– Stock exchange	1,262,800	1,722,752
	4,093,822	4,049,725

At 31 December 2020, bond investments of approximately RMB4,583,733 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 2020	31 December 2019
Within one year	448,730	205,802
Over one year	3,712	12,258
	452,442	218,060

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(All amounts expressed in RMB'000 unless otherwise stated)

44. INSURANCE CONTRACT LIABILITIES

	31 December 2020		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
Insurance contracts liabilities			
– Unearned premium reserves	5,415,675	(188,260)	5,227,415
– Claim reserves	3,128,468	(158,094)	2,970,374
– Long-term life insurance reserves	3,090	(1,959)	1,131
	8,547,233	(348,313)	8,198,920
Incurred but not reported claim reserves	2,005,410	(81,271)	1,924,139

	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

44. INSURANCE CONTRACT LIABILITIES (continued)

Movements of unearned premium reserves

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
1 January 2019	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
Premium written	16,705,897	(522,096)	16,183,801
Premium earned	(16,658,854)	445,670	(16,213,184)
31 December 2020	5,415,675	(188,260)	5,227,415

Movements of claim reserves

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
1 January 2019	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
Claims incurred	9,136,758	(364,055)	8,772,703
Claims paid	(8,182,298)	369,254	(7,813,044)
31 December 2020	3,128,468	(158,094)	2,970,374

45. BONDS PAYABLE

On 16 July 2020, the Company issued 5-year notes in the aggregate principal amount of USD600,000 thousand at the rate of 3.125 per cent on the Hong Kong Stock Exchange.

On 8 September 2020, the Company issued 5.5 years notes in the aggregate principal amount of USD300,000 thousand at the rate of 3.50 per cent on the Hong Kong Stock Exchange.

On 12 October 2020, the Company issued an additional notes in the aggregate principal amount of USD100,000 thousand at the rate of 3.50 per cent on the Hong Kong Stock Exchange, which was consolidated and formed a single series with the USD300,000 thousand notes issued on 8 September 2020.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(All amounts expressed in RMB'000 unless otherwise stated)

46. OTHER LIABILITIES

	31 December 2020	31 December 2019
Payables to service suppliers	989,825	739,805
Commission and brokerage payable	567,809	158,853
Deposit payable	419,585	262,694
Salary and staff welfare payable	331,247	314,200
Tax payable other than income tax	192,011	80,117
Payables for asset management fee	98,266	110,210
Claims payable	69,695	115,895
Estimated liabilities	63,698	—
Insurance guarantee fund	45,877	49,489
Payables for securities purchased but not settled	8,262	53,625
Others	346,457	159,089
	3,132,732	2,043,977

47. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation from loss before income tax to cash used in operating activities:

	Year ended 31 December 2020	Year ended 31 December 2019
Profit/(Loss) before income tax	146,530	(610,838)
Current income tax	(5,137)	—
Impairment loss	361,034	192,630
Net investment income	(1,527,498)	(1,775,786)
Net fair value changes through profit or loss	25,517	(169,896)
Depreciation of property and equipment	38,372	43,311
Amortization of intangible assets	150,602	119,601
Amortization of right-of-use assets	126,038	133,115
Gains on disposal of fixed assets, intangible assets and other long-term assets	(194)	(83)
Foreign exchange gains	(200,874)	(1,962)
Finance costs	232,869	111,096
Expense recognised for share-based payments	2,946	—
Increase in premium receivables	(1,068,500)	(1,494,874)
Decrease/(Increase) in reinsurance assets	(81,497)	49,351
Amortisation of deferred income	(631)	(631)
Share of net loss of associates and joint ventures	33,712	43,946
Change in customer deposits	5,037,281	—
Change in insurance contract liabilities	931,407	2,183,613
Increase in other operating assets	(698,085)	(470,468)
Increase in other operating liabilities	1,354,964	433,052
Cash generated from/(used in) operating activities	4,858,856	(1,214,823)

48. RELATED PARTY TRANSACTIONS

The Company's directors were of the view that Ant Group Co., Ltd. ("Ant Group") (formerly known as Ant Small and Micro Financial Services Group Co. Ltd.), Ping An Insurance (Group) Co. of China Ltd. ("Ping An Insurance"), Tencent Holdings Limited ("Tencent"), Sinolink Worldwide and Nova Technology Ltd. ("Nova Technology") and their subsidiaries and Shanghai Ju'A Technology Ltd. ("Ju'A") 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 Group. 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 2020	Year ended 31 December 2019
Tencent and its subsidiaries	16,948	12,798
Alibaba and its subsidiaries	1,730	1,939
Nova Technology and its subsidiaries	1,169	183
Ant Group and its subsidiaries	304	5
Sinolink Worldwide and its subsidiaries	13	300
	20,164	15,225

(b) Claim from insurance contracts

	Year ended 31 December 2020	Year ended 31 December 2019
Tencent and its subsidiaries	9,951	8,808
Alibaba and its subsidiaries	3,503	3,799
Nova Technology and its subsidiaries	632	111
Sinolink Worldwide and its subsidiaries	162	741
Ant Group and its subsidiaries	—	11
	14,248	13,470

(c) Technical service fees

	Year ended 31 December 2020	Year ended 31 December 2019
Ant Group and its subsidiaries	1,619,861	1,084,963
Tencent and its subsidiaries	—	742
	1,619,861	1,085,705

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(All amounts expressed in RMB'000 unless otherwise stated)

48. RELATED PARTY TRANSACTIONS (continued)

(d) Interest income

	Year ended 31 December 2020	Year ended 31 December 2019
Ping An Insurance and its subsidiaries	123	246

(e) Asset management fees

	Year ended 31 December 2020	Year ended 31 December 2019
Ping An Insurance and its subsidiaries	108,594	75,111

(f) Commission

	Year ended 31 December 2020	Year ended 31 December 2019
Ant Group and its subsidiaries	462,788	—
Tencent and its subsidiaries	11,302	531
Nova Technology and its subsidiaries	6,332	10
	480,422	541

(g) Fees for purchasing goods and other services

	Year ended 31 December 2020	Year ended 31 December 2019
Alibaba and its subsidiaries	71,172	63,669
Nova Technology and its subsidiaries	48,533	13,307
Tencent and its subsidiaries	27,316	10,973
Ant Group and its subsidiaries	20,361	3,104
Ping An Insurance and its subsidiaries	8,562	5,150
Ju'A	2,152	—
Key management personnel	830	1,748
	178,926	97,951

Fees for purchasing goods and other services mainly include cloud rental fees, guarantee fees, advertising fees, other IT service fees and etc.

48. RELATED PARTY TRANSACTIONS (continued)

(h) Capital transaction with Sinolink Worldwide

On 16 January 2020, ZhongAn Technology and Sinolink Worldwide injected RMB600,000 thousand and RMB576,471 thousand into ZhongAn International respectively. After this transaction, Sinolink Worldwide remains 49% of the voting rights of ZhongAn International as non-controlling interest.

On 16 January 2020, ZhongAn International redeemed 480,000 thousand redeemable preference shares from Sinolink Worldwide at a total redemption price of RMB511,894 thousand and the non-controlling interests of ZhongAn International decreased by RMB495,628 thousand.

(i) Receivables with related parties

	31 December 2020	31 December 2019
Ping An Insurance and its subsidiaries (i)	188,033	275,827
Nova Technology and its subsidiaries	36,909	25,683
Ant Group and its subsidiaries	28,675	50,195
Ju'A	5,726	—
Tencent and its subsidiaries	1,560	1,345
	260,903	353,050

(i) Due to the motor co-insurance business with Ping An Property and Casualty Insurance Company of China Ltd.

(j) Payables with related parties

	31 December 2020	31 December 2019
Ant Group and its subsidiaries	338,376	—
Ping An Insurance and its subsidiaries	99,604	67,574
Nova Technology and its subsidiaries	16,117	—
Alibaba and its subsidiaries	9,930	7,902
Tencent and its subsidiaries	347	246
Sinolink Worldwide and its subsidiaries	—	16
	464,374	75,738

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(All amounts expressed in RMB'000 unless otherwise stated)

48. RELATED PARTY TRANSACTIONS (continued)

(k) Prepayments to related parties

	31 December 2020	31 December 2019
Nova Technology and its subsidiaries	20,585	19,050
Alibaba and its subsidiaries	16,094	25,869
	36,679	44,919

(l) Compensations of key management personnel

The compensations paid or payable to key management personnel are shown below:

	Year ended 31 December 2020	Year ended 31 December 2019
Wages, salaries and bonuses	21,902	19,384
Share-based payments	—	—
Pension costs – defined contribution plans	54	504
Other social security costs, housing benefits and other employee benefits	517	542
	22,473	20,430

49. 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 2020 and 2019, the Group has no major pending litigation as the defendant.

50. BALANCE SHEET AND STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

	31 December 2020	31 December 2019
ASSETS		
Cash and cash equivalents	5,580,448	422,838
Financial assets at fair value through profit or loss	1,371,384	—
Securities purchased under agreements to resell	70,000	160,000
Interest receivables	112,933	72,700
Premium receivables	4,477,903	3,532,160
Reinsurance receivables	319,525	238,028
Reinsurers' share of insurance contract liabilities	346,355	275,127
Available-for-sale financial assets	7,826,132	5,265,753
Restricted statutory deposits	294,338	294,338
Held-to-maturity financial assets	574,455	—
Investments in subsidiaries	11,525,611	12,067,272
Investments in associates and joint ventures	—	323,651
Right-of-use assets	135,574	181,624
Property and equipment	35,308	55,356
Intangible assets	275,795	306,896
Deferred income tax assets	—	—
Other assets	2,098,980	1,689,076
Total assets	35,044,741	24,884,819
EQUITY AND LIABILITIES		
Equity		
Share capital	1,469,813	1,469,813
Reserves	16,765,626	16,373,128
Accumulated loss	(3,539,173)	(4,065,949)
Total equity	14,696,266	13,776,992
Liabilities		
Securities sold under agreements to repurchase	2,077,837	1,348,979
Premium received in advance	126,714	101,134
Reinsurance payables	452,164	218,060
Insurance contract liabilities	8,544,221	7,542,699
Bonds payables	6,487,166	—
Lease liabilities	157,511	204,781
Deferred income tax liabilities	—	—
Other liabilities	2,502,862	1,692,174
Total liabilities	20,348,475	11,107,827
Total equity and liabilities	35,044,741	24,884,819

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020
(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 financial assets revaluation reserves	Other reserves due to share-based payment	Accumulated losses	Total equity
1 January 2019	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
Total comprehensive income	—	—	392,498	—	526,776	919,274
31 December 2020	1,469,813	16,585,468	141,758	38,400	(3,539,173)	14,696,266

51. 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 2021.

Definitions

"Alipay Insurance"	the insurance business segment under Ant Group
"Ant Group"	Ant Group Co., Ltd. (螞蟻科技集團股份有限公司), a joint stock limited company incorporated in the PRC (established on October 19, 2000, its name was Zhejiang Alibaba E-commerce Co., Ltd. (浙江阿里巴巴電子商務有限公司) back then) 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
"CBIRC"	the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
"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
"CIRC"	the China Insurance Regulatory Commission (中國保險監督管理委員會)
"Company", "Our Company", "we" or "us"	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, Grab Insure
"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
"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

Definitions

"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 RMB500 million and a subsidiary of Ping An Insurance
"Ping An Group"	Ping An Insurance and its subsidiaries
"Ping An Insurance"	Ping An Insurance (Group) Company 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: 301318), 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
"PPDAI"	FinVolution Group, a Cayman Islands company, which is listed on the New York Stock Exchange (Stock Code: FINV)
"PRC" or "China"	the People's Republic of China, but for the purposes of this interim report only, except where the context requires, references in this interim 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, 2020
"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 Main 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
"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
"X Financial"	a Cayman Islands company, and listed on the New York Stock Exchange (Stock Code: XYF)
"ZA Bank"	ZA Bank Limited (眾安銀行有限公司), a subsidiary of our Company, incorporated in Hong Kong on August 8, 2018
"ZA Life"	ZA Life Limited (眾安人壽有限公司), a subsidiary of our Company, incorporated in Hong Kong on February 27, 2019
"ZA Life Share Option Scheme"	a share option scheme of ZA Life adopted by the Shareholders on 29 December 2020
"ZA Tech"	ZA Tech Global Limited, a non-wholly owned subsidiary of ZATI and a company incorporated in Hong Kong with limited liability
"ZA Tech Share Option Scheme"	a share option scheme of ZA Tech adopted by the Shareholders on 29 December 2020
"ZATI"	ZhongAn Technologies International Group Limited (眾安科技 (國際) 集團有限公司), a non-wholly owned subsidiary of the Company and a company incorporated in Hong Kong with limited liability
"ZATI Share Option Scheme"	a share option scheme of ZATI adopted by the Shareholders on 29 December 2020
"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
"big data analytics"	the use of advanced analytic techniques against very large, diverse data sets to uncover hidden patterns, unknown correlations, market trends, customer preferences and other useful information that can help organizations make more-informed business decisions
"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"	model service a as 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
Liangxun Shi
Ming Yin
Weibiao Zhan**

Independent Non-executive Directors:

Shuang Zhang
Hui Chen
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)*
Ming Yin
Wei Ou

Remuneration and Nomination Committee

Shuang Zhang *(Chairman)*
Yaping Ou
Ying Wu

Investment Strategy Committee

Yaping Ou *(Chairman)*
Hugo Jin Yi Ou
Xinyi Han
Weibiao Zhan**

Related Transactions Control Committee

Wei Ou *(Chairman)*
Hui Chen
Yifan Li

Consumer Rights Protection Committee

Ying Wu *(Chairman)*
Hugo Jin Yi Ou
Liangxun Shi

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

Company Secretary

Yongbo Zhang

Authorized Representatives

Hugo Jin Yi Ou
Yongbo Zhang

* Resigned on January 22, 2021.

** Elected on May 11, 2020. Mr. Weibiao Zhan shall be a non-executive Director and member of the investment strategy committee of the Company upon his qualification as a director of the Company being approved by the CBIRC.

Corporate Information

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