IMPORTANT NOTICE

NOT FOR DISTRIBUTION DIRECTLY OR INDIRECTLY IN OR INTO THE UNITED STATES

IMPORTANT: You must read the following before continuing. The following applies to the attached offering circular (the "**Offering Circular**") following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from the Issuer (as defined in the Offering Circular) as a result of such access. You acknowledge that the access to the Offering Circular is intended for use by you only and you agree you will not forward or otherwise provide access to any other person.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.

THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY ADDRESS IN THE UNITED STATES. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

PRIIPs Regulation/Prohibition of Sales to EEA and UK Retail Investors: The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**") or in the United Kingdom (the "**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

Singapore Securities and Futures Act Product Classification: Solely for the purposes of its obligations pursuant to section 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).

Confirmation of your Representation:

In order to be eligible to view this Offering Circular or make an investment decision with respect to the securities, investors must be purchasing the securities outside the United States in an offshore transaction in reliance on Regulation S under the Securities Act. By accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to have represented to the Joint Lead Managers (as defined in the Offering Circular) and the Issuer (1) that you and any customers you represent are not, and that the electronic mail address that you gave the Issuer and to which this e-mail has been delivered is not, located in the United States and (2) that you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Offering Circular to any other person.

The materials relating to any offering of securities described in the Offering Circular do not constitute, and may not be used in connection with, an offer or solicitation by or on behalf of any of the Issuer, the Joint Lead Managers in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licenced broker or dealer and any Joint Lead Manager or any affiliate of a Joint Lead Manager is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Joint Lead Manager or such affiliate on behalf of the Issuer in such jurisdiction.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Joint Lead Managers or any person who controls the Joint Lead Managers nor any director, officer, employee nor agent of the Joint Lead Managers or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The Offering Circular is being furnished in connection with an offering in offshore transactions outside the United States in compliance with Regulation S solely for the purpose of enabling a prospective investor to consider the purchase of the securities described in the Offering Circular.

Actions that you may not take: If you receive this document by e-mail, you should not reply by e-mail to this document, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

STRICTLY CONFIDENTIAL

ZHONGAN ONLINE P & C INSURANCE CO., LTD.
(眾 安 在 綫 財 產 保 險 股 份 有 限 公 司)

*(A joint stock 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)

U.S.$600,000,000 3.125 per cent. Notes due 2025
Issue Price: 100.00 per cent.

The U.S.$600,000,000 3.125 per cent. Notes due 2025 (the "**Notes**") will be issued by ZhongAn Online P & C Insurance Co., Ltd. (眾安在綫財產保險股份有限公司) (the "**Issuer**" or the "**Company**"), a joint stock company incorporated in the People's Republic of China with limited liability. The Notes will bear interest on their outstanding principal amount from and including 16 July 2020 (the "**Issue Date**") at the rate of 3.125 per cent. per annum. Interest on the Notes will be payable semi-annually in arrear in equal instalments on 16 January and 16 July in each year, commencing on the first Interest Payment Date (as defined in the terms and conditions of the Notes (the "**Terms and Conditions**") falling on 16 January 2021.

The Notes will constitute direct, general, unconditional, unsubordinated and (subject to Condition 3(a) (*Negative Pledge*) of the Terms and Conditions) unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

All payments of principal, premium (if any) and interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the PRC (as defined in the Terms and Conditions) or any political subdivision thereof or any authority therein or thereof having power to tax unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. See "*Terms and Conditions of the Notes — Taxation*".

The Issuer will undertake that it will (i) within the prescribed time period after the Issue Date, register or cause to be registered with State Administration of Foreign Exchange of the PRC or its competent local counterparts ("**SAFE**") the Notes pursuant to the Administrative Measures for Foreign Debt Registration and its operating guidelines, effective as of 13 May 2013 (the "**Foreign Debt Registration**"), (ii) use its reasonable endeavours to complete the Foreign Debt Registration and obtain a registration record or evidence of filing from SAFE on or before the Registration Deadline (being the day falling 180 PRC Business Days (as defined in the Terms and Conditions) after the Issue Date, excluding the days that SAFE is not open for business), (iii) as soon as possible upon being required or requested to do so by any relevant governmental authority, file or cause to be filed with SAFE the Notes pursuant to the Circular of the People's Bank of China on Matters concerning the Macro-Prudential Management of Cross-Border Financing in Full Aperture (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知) issued by the People's Bank of China and which came into effect on 12 January 2017, and (iv) comply with all applicable PRC laws and regulations in relation to the Foreign Debt Registration.

The Issuer will undertake that it will within the prescribed time period after the Issue Date file or cause to be filed with the National Development and Reform Commission of the PRC or its local counterparts (the "**NDRC**") the requisite information and documents in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知 (發改外資[2015]2044號)) issued by the NDRC and effective as of 14 September 2015 and any implementation rules as issued by the NDRC from time to time (the "**NDRC Circular**").

Unless previously redeemed, or purchased and cancelled as provided herein, the Notes will be redeemed at their principal amount on 16 July 2025 (the "**Maturity Date**"), subject as provided in Condition 6 (*Payments*) of the Terms and Conditions. At any time, on giving not less than 30 nor more than 60 days' notice to the holders of the Notes (the "**Noteholders**") (which notice shall be irrevocable), the Notes may be redeemed in whole, but not in part, at their principal amount, together with interest accrued to but excluding the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee and the Principal Paying Agent (each as defined in the Terms and Conditions) that the Issuer has or will become obliged to pay Additional Amounts (as defined in Condition 7 (*Taxation*) of the Terms and Conditions) as provided or referred to in Condition 7 (*Taxation*) of the Terms and Conditions as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 9 July 2020, and such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts if a payment in respect of the Notes were then due. At any time following the occurrence of the No Registration Event (as defined in Condition 5(c) (*Redemption for No Registration Event*) of the Terms and Conditions), each Noteholder will have the right, at such Noteholder's option, to require the Issuer to redeem all but not some only of that Noteholder's Notes on the Put Settlement Date (as defined in Condition 5(c) (*Redemption for No Registration Event*) of the Terms and Conditions) at 100 per cent. of their principal amount, together with interest accrued to but excluding such Put Settlement Date. The Issuer may redeem the Notes, in whole, but not in part, at any time upon giving not less than 15 nor more than 45 days' notice to the Noteholders in accordance with Condition 15 of the Terms and Conditions and in writing to the Trustee and the Principal Paying Agent at a redemption price equal to (i) in the case of an Optional Redemption Date (as defined in Condition 5(d) (*Optional Redemption*) of the Terms and Conditions) falling before 16 April 2025, their Make Whole Amount (as defined in Condition 5(d) (*Optional Redemption*) of the Terms and Conditions) together with any interest accrued to but excluding such Optional Redemption Date or (ii) in the case of an Optional Redemption Date falling on or after 16 April 2025, 100 per cent. of their principal amount, together with interest accrued to but excluding such Optional Redemption Date. See "*Terms and Conditions of the Notes — Redemption and Purchase*".

The Notes will be issued in the denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

The Notes are expected to be rated "Baa2" by Moody's Investors Service, Inc. ("**Moody's**"). A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Investing in the Notes involves risks. See "*Risk Factors*" beginning on page 15 for a discussion of certain factors to be considered in connection with an investment in the Notes.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States. For a description of these and certain further restrictions on offers and sales of the Notes and the distribution of this Offering Circular, see "*Subscription and Sale*".

Application has been made to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") for the listing of, and permission to deal in, the Notes by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) (together, "**Professional Investors**") only. This document is for distribution to Professional Investors only. **Investors should not purchase the Notes in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Notes are only suitable for Professional Investors.**

The Hong Kong Stock Exchange has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only have been reproduced in this Offering Circular. Listing of the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Notes or the Issuer or quality of disclosure in this Offering Circular. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular. Investors are advised to read and understand the contents of this Offering Circular before investing. If in doubt, investors should consult their advisers.

The Notes will be represented by beneficial interests in a global note certificate (a "**Global Note Certificate**") in registered form, which will be registered in the name of a nominee for, and shall be deposited on or about the Issue Date with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). Beneficial interests in the Global Note Certificate will be shown on, and transfer thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for Notes will not be issued in exchange for interests in the Global Note Certificate.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

J.P. Morgan **Credit Suisse** **China International Capital Corporation** **Morgan Stanley**

Joint Bookrunners and Joint Lead Managers

UBS **Haitong International** **BOC International** **ABC International**

Offering Circular dated 9 July 2020

NOTICE TO INVESTORS

THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE THE OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS OFFERING CIRCULAR NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER OR ANY OF ITS SUBSIDIARIES OR THAT THE INFORMATION SET FORTH IN THIS OFFERING CIRCULAR IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE HEREOF.

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

The Issuer, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer and its subsidiaries taken as a whole (the "**Group**") and to the Notes which is material in the context of the issue and offering of the Notes (including the information which, is required by applicable laws and information which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and of the rights attaching to the Notes); (ii) the statements (other than opinions and intentions) relating to the Issuer and the Group contained in this Offering Circular are in all material respects, true and accurate and not misleading; (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer and to the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; and (iv) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements.

The Issuer has prepared this Offering Circular solely for use in connection with the proposed offering of the Notes described in this Offering Circular. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of J.P. Morgan Securities plc, Credit Suisse (Hong Kong) Limited, China International Capital Corporation Hong Kong Securities Limited, Morgan Stanley & Co. International plc, UBS AG Hong Kong Branch, Haitong International Securities Company Limited, BOCI Asia Limited and ABCI Capital Limited (together, the "**Joint Lead Managers**") or the Issuer to subscribe for or purchase any of the Notes. The distribution of this Offering Circular and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Notes or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Notes, and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, the European Economic Area, Hong Kong, the PRC, Singapore and Japan and to persons connected therewith. For a description of certain further restrictions on offers and sales of the Notes, and distribution of this Offering Circular, see "*Subscription and Sale*". By purchasing the Notes, investors represent and agree to all of those provisions contained in that section of this Offering Circular. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for, or otherwise acquire, Notes. Distribution of this Offering Circular to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised. Each prospective investor, by accepting delivery of this Offering Circular, agrees to the foregoing and to make no photocopies of this Offering Circular or any documents referred to in this Offering Circular.

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Group or the Notes other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Joint Lead Managers, the Trustee or the Agents (as defined in the Terms and Conditions) or their respective directors, officers, employees, representatives, agents, affiliates or advisers. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Notes shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer or the Group since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers to subscribe for or purchase the Notes and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

None of the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers has independently verified the information contained in this Offering Circular. Accordingly, no representation, warranty or undertaking, express or implied, is made or given and no responsibility or liability is accepted, by the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers, as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular or any other information supplied in connection with the Notes. Nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers that any recipient of this Offering Circular should purchase the Notes. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer and the merits and risks involved in investing in the Notes. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Notes.

The Notes are expected to be assigned a rating of "Baa2" by Moody's Investors Service, Inc. ("**Moody's**"). A rating is not a recommendation to buy, sell or hold securities, does not address the likelihood or timing of prepayment and may be subject to revision, qualification, suspension or withdrawal at any time by the assigning rating organisation. A revision, qualification, suspension or withdrawal of any rating assigned to the Notes may adversely affect the market price of the Notes.

To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers accepts any responsibility for the contents of this Offering Circular and assume no responsibility for the contents, accuracy, completeness or sufficiency of any such information or for any other statement, made or purported to be made by the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers or on their behalf in connection with the Issuer or the issue and offering of the Notes. Each of the Joint Lead Managers, the Trustee and the Agents and each of their respective directors, officers, employees, representatives, agents, affiliates and advisers accordingly disclaims all and any liability, whether arising in tort or contract or otherwise, which it might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers undertakes to review the results of operations, financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers.

IN CONNECTION WITH THIS OFFERING, ANY OF THE JOINT LEAD MANAGERS APPOINTED AND ACTING IN ITS CAPACITY AS STABILISATION MANAGER (THE "STABILISATION MANAGER") OR ANY PERSON(S) ACTING ON BEHALF OF THE STABILISATION MANAGER MAY, SUBJECT TO ALL APPLICABLE LAWS, OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE(S) OF THE NOTES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISATION MANAGER (OR PERSON(S) ACTING ON BEHALF OF THE STABILISATION MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.

Any of the Joint Lead Managers and their respective affiliates may purchase the Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or other securities of the Issuer or its subsidiaries or associates at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Notes). Furthermore, investors in the Notes may include entities affiliated with the Group.

Prospective investors should not construe anything in this Offering Circular as legal, business or tax advice. Each prospective investor should determine for itself the relevance of the information contained in this Offering Circular and consult its own legal, business and tax advisers as needed to make its investment decision and determine whether it is legally able to purchase the Notes under applicable laws or regulations.

PRIIPs Regulation/Prohibition of Sales to EEA and UK Retail Investors

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**") or in the United Kingdom (the "**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

Singapore Securities and Futures Act Product Classification

Solely for the purposes of its obligations pursuant to section 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).

Industry and Market Data

Facts, forecasts and statistics in this Offering Circular relating to the PRC's economy and the industries in which the Group operates, market data and certain industry forecasts used throughout this Offering Circular have been obtained based on internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information that they contain has been obtained from sources believed by the Issuer to be reliable and accurate but that the accuracy and completeness of that information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and none of the Issuer, the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers makes any representation as to the correctness, accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified.

Presentation of Financial Information

The consolidated financial statements of the Group were prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial information of the Group as of and for the years ended 31 December 2017, 2018 and 2019 (the "**Group's Financial Statements**") have been audited by PricewaterhouseCoopers ("**PwC**"), Certified Public Accountants, the independent auditor of the Issuer.

In preparing the Group's 2018 consolidated financial statements, the Group has adopted HKFRS 15 "Revenue from Contracts with Customers" ("**HKFRS 15**") with effect from 1 January 2018 and has restated the Group's 2017 consolidated financial statements. The selected financial information as at and for the year ended 31 December 2017 included in the Offering Circular has been derived from the Group's audited consolidated financial statements as at and for the year ended 31 December 2018. For the impact on adoption of HKFRS 15, please refer to note 2.1(a) to the Group's 2018 consolidated financial statements. Also, in preparing the Group's 2019 consolidated financial statements, the Group has adopted HKFRS 16 "Leases" ("**HKFRS 16**") with effect from 1 January 2019 and has not restated prior period's consolidated financial statements. Therefore, the Group's 2019 consolidated financial statements is not comparable with the Group's 2017 and 2018 consolidated financial statements. For the impact on adoption of HKFRS 16, please refer to note 2.1(a) to the Group's 2019 consolidated financial statements.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

All non-company specific statistics and data relating to the Issuer's industry or the economies of pertinent jurisdictions, such as the PRC, have been extracted or derived from publicly available information and various government sources. The Issuer believes that the sources of this information are appropriate for such information and the Issuer has taken reasonable care in extracting and reproducing such information. The Issuer has no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, such information has not been independently verified by the Issuer, the Joint Lead Managers, the Trustee or the Agents or by any of their respective directors, officers, employees, representatives, advisers and agents and none of the Issuer, the Joint Lead Managers, the Trustee or the Agents or their respective directors, officers, employees, representatives, agents, affiliates or advisers makes any representation as to the correctness, accuracy or completeness of such information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. Accordingly, such information should not be unduly relied upon.

This Offering Circular contains a translation of certain Renminbi amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise specified, where financial information in relation to the Issuer has been translated into U.S. dollars, it has been so translated, for convenience only, at the rate of CNY6.9618 to U.S.$1.00 (the noon buying rate in New York City on 31 December 2019 as set forth in the weekly H.10 statistical release of the Federal Reserve Board of the Federal Reserve Bank of New York). Further information regarding exchange rate is set forth in "Exchange Rate" in this Offering Circular. No representation is made that the Renminbi amounts referred to in this Offering Circular could have been or could be converted into U.S. dollars at any particular rate or at all.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to the "**PRC**", "**China**" and "**mainland China**" are to the People's Republic of China (excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan), and all references to the "**United States**" and "**U.S.**" are to the United States of America, all references to "**Hong Kong**" are to the Hong Kong Special Administrative Region of the People's Republic of China; all references to "**Renminbi**", "**RMB**" and "**CNY**" are to the lawful currency of the PRC, and all references to "**U.S.$**" and "**U.S. dollars**" are to the lawful currency of the United States of America. Historical amounts translated into Renminbi have been translated at historical rates of exchange. Such translations should not be construed as representations that the amounts referred to herein could have been or could be converted into Renminbi at those rates or any other rate at all.

FORWARD-LOOKING STATEMENTS

The Issuer has made certain forward-looking statements in this Offering Circular. All statements other than statements of historical facts contained in this Offering Circular constitute "forward-looking statements". Some of these statements can be identified by forward-looking terms, such as "anticipate", "target", "believe", "can", "would", "could", "estimate", "expect", "aim", "intend", "may", "plan", "will" or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding expected financial condition, results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include but are not limited to statements as to the business strategy, revenue, profitability, planned projects and other matters as they relate to the Issuer discussed in this Offering Circular regarding matters that are not historical facts. These forward-looking statements and any other projections contained in this Offering Circular (whether made by the Issuer or by any third party) involve known and unknown risks, including those disclosed under "*Risk Factors*", uncertainties and other factors that may cause the actual results, performance or achievements of the Issuer to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections.

These forward-looking statements speak only as of the date of this Offering Circular. The Issuer expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained in this Offering Circular to reflect any change in the Issuer's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statement was based.

The factors that could cause the actual results, performances and achievements of the Issuer to be materially different include, among others:

- ability to successfully implement business plans and strategies;
- future developments, trends and conditions in the PRC life insurance industry;
- business prospects;
- capital expenditure plans;
- the continued availability of capital and financing;
- the actions and developments of competitors;
- financial condition and performance;
- dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of the Issuer's business;
- general political and economic conditions, including those related to the PRC;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which the Issuer operates;
- various business opportunities that the Issuer may pursue;
- macroeconomic measures taken by the PRC government to manage economic growth;

- changes in the global economic conditions and material changes in the global life insurance industry; and

- other factors, including those discussed in "*Risk Factors*".

The Issuer does not undertake any obligation to update or revise publicly any of the opinions or forward-looking statements expressed in this Offering Circular as a result of any new information, future events or otherwise.

"AI"	artificial intelligence.
"Air China"	Air China Limited (中國國際航空公司), one of the major airlines in China.
"Alibaba"	Alibaba Group Holding Ltd. (阿里巴巴集團控股有限公司), a Chinese e-commerce company listed on the New York Stock Exchange (Stock Code: BABA) and on the Hong Kong Stock Exchange (Stock Code: 9988).
"AliExpress"	AliExpress.com (全球速買通), an online retail service facing global markets owned by Alibaba.
"Alternative Clearing System"	any clearing system other than Euroclear and Clearstream selected by the Issuer and approved by the Trustee, the Principal Paying Agent and the Registrar.
"Ant Financial"	Ant Small and Micro Financial Services Group Co., Ltd. (浙江螞蟻小微金融服務集團股份有限公司), a limited liability company incorporated in the PRC (formerly known as Zhejiang Alibaba E-Commerce Co., Ltd. (浙江阿里巴巴電子商務有限公司) and incorporated on 19 October 2000) and one of the Company's substantial shareholders.
"APP"	mobile application.
"AXA Insurance"	AXA S.A. (安盛保險集團), a French multinational insurance group listed on Euronext Paris (Stock Code: CS).
"B2B2C"	business to business to consumer.
"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"	the Board of Directors of the Company.
"Cango"	Cango Inc., a Chinese automotive transaction platform listed on the New York Stock Exchange (Stock Code: CANG).
"CAGR"	compounded annual growth rate.
"CBIRC"	the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會).
"CBRC"	the China Banking Regulatory Commission (中國銀行業監督管理委員會), which was merged with CIRC in April 2018 to form CBIRC.
"channel fee ratio"	channel fee as a percentage of net written premium.
"CIRC"	the China Insurance Regulatory Commission (中國保險監督管理委員會).

"**Circular 36**"	the Circular of Full Implementation of Business Tax to VAT Reform (《關於全面推開營業稅改徵增值稅試點的通知》(Caishui [2016] No. 36).
"**Clearing Systems**"	Euroclear and Clearstream.
"**Clearstream**"	Clearstream Banking S.A.
"**Cmpay**"	Cmpay.com (和包支付), a third-party mobile payment service owned by China Mobile Limited.
"**C-ROSS**"	the China Risk Oriented Solvency System.
"**CSRC**"	the China Securities Regulatory Commission (中國證券監督管理委員會).
"**Ctrip**"	Trip.com Group Limited (攜程旅行網), a Chinese leading one-stop travel service provider listed on the NASDAQ Global Market (Stock Code: TCOM).
"**Dajiang**"	Da-Jiang Innovations (大疆創新), a consumer electronics platform incorporated in the PRC.
"**Data Cube**"	the machine learning and scenario application platform developed by the Company.
"**Didi Chuxing**"	Didi Chuxing Technology Co., Ltd. (滴滴出行科技有限公司), a company incorporated in the PRC.
"**Dinghe Property Insurance**"	Dinghe Property Insurance Co., Ltd. (鼎和財產保險股份有限公司), a company incorporated in the PRC.
"**DTC Association**"	The Hong Kong Association of Restricted License Banks and Deposit-taking Companies (存款公司公會).
"**EU**"	European Union.
"**Euroclear**"	Euroclear Bank SA/NV.
"**Evergrande Life Insurance**"	Evergrande Life Assurance Co., Ltd. (恒大人壽保險有限公司), a company incorporated in the PRC.
"**FATCA**"	the Foreign Account Tax Compliance Act.
"**Financial Instruments and Exchange Act**"	the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended).
"**Fliggy**"	Fliggy.com (飛豬旅行), one of China's major online travel booking platforms owned by Alibaba.
"**Foreign Debt Registration**"	the Administrative Measures for Foreign Debt Registration and its operating guidelines, effective as of 13 May 2013.
"**FSMA**"	the Financial Services and Markets Act 2000.

"**Fusion**"	the Company's insurance platform system for internet platforms.
"**GDP**"	Gross Domestic Product.
"**Grab**"	Grab International Inc., a leading O2O platform in Southeast Asia.
"**GrabInsure**"	the joint venture formed by the Company and Grab.
"**Graphene**"	the Company's digital core system for insurance companies.
"**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.
"**GWP**"	gross written premiums, which is total premiums (whether or not earned) for insurance contracts written or assumed during a specific period, without deduction for premiums ceded.
"**Hengqin Life Insurance**"	Hengqin Life Insurance Co., Ltd. (橫琴人壽保險有限公司), a company incorporated in the PRC.
"**HKFRS**"	Hong Kong Financial Reporting Standards.
"**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.
"**IBNR**"	incurred but not reported.
"**ICP licence**"	business licence of telecommunications and information services.
"**Insuretech**"	use of technology innovations designed to achieve savings and efficiency from the traditional insurance industry model.
"**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.
"**Lexin**"	LexinFintech Holdings Ltd., a Cayman Islands company, and listed on the NASDAQ Global Market (Stock Code: LX).
"**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.

"MIIT"	The Ministry of Industry and Information Technology of the PRC.
"Mogujie"	MOGU Inc. (蘑菇街), an e-commerce platform incorporated in the PRC.
"NAO"	National Audit Office of the PRC.
"NDRC"	National Development and Reform Commission of the PRC or its local counterparts.
"NDRC Circular"	the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) issued by the NDRC and effective as of 14 September 2015 and any implementation rules as issued by the NDRC from time to time.
"Nova Technology"	Nova Technology Ltd., the intelligent commercial insurance platform incubated by the Company.
"NPC Standing Committee"	the Standing Committee of the National People's Congress.
"NTUC Income"	NTUC Income Insurance Co-operative Limited, the largest comprehensive insurer in Singapore.
"O2O"	online to offline business model.
"PBOC"	the People's Bank of China.
"Ping An Group"	Ping An Insurance and its subsidiaries.
"Ping An Insurance"	Ping An Insurance (Group) Co. of China, Ltd. (中國平安保險(集團)股份有限公司), a joint stock limited company incorporated in the PRC on 21 March 1988 listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 02318) and the Shanghai Stock Exchange (Stock Code: 601318), and one of the Company's substantial shareholders.
"Ping An P&C"	Ping An Property and Casualty Insurance Company of China, Ltd. (中國平安財產保險股份有限公司), a subsidiary of Ping An Insurance.
"PRC"	the People's Republic of China (excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan).
"Pre-IPO Investments"	the Company's fundraising of RMB5,775 million in June 2015, prior to the Company's IPO in September 2017.
"PwC"	PricewaterhouseCoopers, Certified Public Accountants and Registered Public Interest Entity Auditor, the independent auditor of the Company.
"R&D"	research and development.

"**SaaS model**"	software as a service model.
"**SAFE**"	the State Administration of Foreign Exchange of the PRC or its competent local counterparts.
"**SAIC**"	the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局).
"**SAT**"	the State Administration of Taxation of the PRC (國家稅務總局).
"**Secoo**"	Secoo.com (寺庫網), a Chinese online-to-offline luxury e-commerce platform.
"**SFA**"	the Securities and Futures Act (Chapter 289 of Singapore).
"**SFO**"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time.
"**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 the Company's connected person.
"**SOMPO**"	Sompo Japan Insurance Inc., one of the top three property and casualty insurance companies in Japan.
"**S&P**"	Standard & Poor's Global Ratings, an American credit rating agency.
"**Taiping Insurance**"	China Taiping Insurance Holdings Co., Ltd. (中國太平保險控股有限公司), a Chinese insurance holding company listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 0966).
"**Taobao**"	Taobao.com (淘寶網), an e-commerce platform owned by Alibaba.
"**Tencent**"	Tencent Holdings Limited (騰訊控股有限公司), a company incorporated in the Cayman Islands and listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 0700).
"**Tmall**"	Tmall.com (天貓), a business-to-consumer online retail platform owned by Alibaba.
"**VAT**"	value-added tax.
"**WeSure**"	WeSure (微保), an online insurance platform owned by Tencent.
"**Wind Information**"	Wind Information Co. Ltd. (萬得), a financial data service provider in China.
"**Wo Wallet**"	Wo Wallet (沃錢包), the third-party payment platform launched by China Unicom.

"**X Financial**"	X Financial (小贏科技有限責任公司), a Chinese leading technology-driven personal finance company listed on the New York Stock Exchange (Stock Code: XYF).
"**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 the Company, incorporated in the PRC on 7 July 2016.

CONTENTS

SUMMARY

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

Overview

The Group is a leading Insuretech company in China. The Company, incorporated on 9 October 2013, is the first and also one of the only four licensed internet insurance companies in China. The Group embraces an "Insurance + Technology" dual engine strategy by integrating technologies into the entire insurance value chain. By adopting an ecosystem-oriented approach (i.e. the "B2B2C" model) through scenario-based settings, the Group empowers platforms operated by its ecosystem partners through its technology strength, creating value for the customers by satisfying their diversified protection needs in the internet life. At the same time, the Group has proved and enhanced its technology strength through the operations of its insurance business and exports its advanced experience and technologies to domestic and overseas clients, including insurance companies and internet companies.

The Group experienced significant growth during the years ended 31 December 2017, 2018 and 2019. The Group's GWP grew from RMB5,954.5 million in 2017, to RMB11,255.7 million in 2018, and further to RMB14,629.6 million in 2019, representing a CAGR of 56.7%. The Group's net premiums earned increased significantly from RMB4,614.1 million in 2017 to RMB8,800.3 million 2018, and further to RMB12,801.5 million in 2019, representing a CAGR of 66.6%.

The Group primarily offers insurance products and solutions in the context of five major ecosystems: health ecosystem, lifestyle consumption ecosystem, consumer finance ecosystem, auto ecosystem, and travel ecosystem. The following table sets forth a breakdown of the Group's GWP by each ecosystem for the periods indicated:

	For the year ended 31 December		
Ecosystems	**2017**	**2018**	**2019**
		(RMB'000)	
Health	1,204,185	2,868,354	4,806,042
Lifestyle consumption	1,787,234	1,616,090	3,729,375
Consumer finance	1,033,762	3,520,304	3,090,982
Auto	78,901	1,149,173	1,263,719
Travel	1,436,350	1,460,423	1,302,490
Others	414,043	641,374	436,981
Total	**5,954,475**	**11,255,718**	**14,629,589**

During 2019, the Company provided services to 486 million insured customers, with the total number of insurance policies exceeding 8 billion. In terms of total GWP, the Company was ranked 11th in the PRC property and casualty insurance market. In terms of total GWP, the Company's market share in the PRC internet property and casualty insurance market has increased from 1.6% in 2014 to 17.4% in 2019, and the Company has been ranked 1st in the PRC internet non-auto property and casualty insurance market for six consecutive years since 2014.

The Group develops and exports its advanced technologies, which it has proved and enhanced through its own operation of insurance business to domestic and overseas clients, including insurance companies and internet platforms, who intend to expand into the internet insurance sector, aiming to improve the operation efficiency and business quality of all participants along the insurance value chain, and assist them in digital transformation. In 2019, the Group had nearly 260 contracted clients and recorded revenue from technology export of RMB269.7 million, representing a year-on-year increase of 139.9%.

The Group believes its proprietary infrastructure and technologies are critical to its success. It has made significant investments in developing cutting-edge technologies including AI, blockchain, cloud computing, big data and life science, with an aim to reshape every aspect of the insurance value chain through technology. For the years ended 31 December 2017, 2018 and 2019, the Group invested RMB518.1 million, RMB852.1 million and RMB976.9 million in research and development activities respectively, representing 8.7%, 7.6% and 6.7% of its GWP in the respective periods. It has obtained and is in the process of obtaining intellectual property rights for some of its technologies. The Group had accumulatively filed applications for 478 patents as of 31 December 2019, including applications for 167 overseas patents. In 2019, the automation rate of the Group's underwriting and claim settlement services reached 99% and 95%, respectively.

With respect to the investment of its insurance funds, the Group strictly complies with the requirements of relevant PRC laws and regulations and implements prudent risk management by establishing a comprehensive asset management framework to ensure that the Group's assets are properly managed. The Group had total investment assets of RMB19,452.0 million in 2017, RMB18,969.6 million in 2018 and RMB19,930.6 million in 2019. Total investment assets represented 92.0%, 72.0% and 64.5% of the Group's total assets in 2017, 2018 and 2019, respectively. As at 31 December 2019, the Group's investment in fixed income assets and liquid assets (including cash, fixed income investments, fund investments (excluding equity related), trust and wealth management products) is 82.1% of total investment assets. In addition, 99.7% of the credit bonds the Group held had a credit rating of AA and above as at 31 December 2019. The Group's total investment yield was 7.7%, 2.6% and 9.3% in 2017, 2018 and 2019, respectively. The Group's net investment yield was 3.8%, 4.2% and 4.8% in 2017, 2018 and 2019, respectively.

The Group's Strengths

The Group's competitive strengths, as set forth in the following, will enable the Group to benefit from the fast-growing insurance industry and the increasing demand for the Group's products and solutions:

- pioneer and leader in China's Insuretech industry;
- presence in the fast-growing Insuretech industry driven by the digital transformation of the insurance value chain;
- resilient business model supported by extensive ecosystem partnership and diversified customer touch-points;
- industry-leading technological capabilities;
- continuously improved underwriting quality and operating efficiency;
- technology-driven comprehensive risk management capability and healthy solvency position; and
- visionary management team and entrepreneurial corporate culture with support from shareholders.

The Group's Strategies

The Group embraces an "Insurance + Technology" dual engine strategy by integrating technologies into the entire insurance value chain. Upholding the principle of "growth with quality", it plans to incorporate technology development and innovation into the insurance value chain and continuously optimise underwriting efficiency and user experience while commercialising its insurance technology strengths in domestic and overseas markets, so as to promote the digital transformation of the insurance industry. Specifically, the Group plans to implement the following strategies:

- focus on growth with quality and technology empowerment to continuously improve underwriting efficiency and profitability;
- develop proprietary platforms and enhance the brand recognition of ZhongAn;
- strengthen data analytic capabilities and refine operation management system to provide automatic and intelligent user experience;
- scale up domestic and overseas Insuretech presence to facilitate the digital transformation of the insurance industry;
- improve the risk-oriented solvency management system and enhance comprehensive risk management capability; and
- enhance capabilities in asset allocation, investment research and active management.

Risk Management

Management of risk exposure is fundamental to the Group's operations. The Group has established a comprehensive, enterprise-wide and technology-driven risk management framework to manage risks across its operations. The Group applies its big data analytics capability and machine learning technology to assist with its risk management efforts. The three pillars of the Group's risk management framework include (i) quantitative capital requirements, such as the management of insurance risk, market risk, credit risk and liquidity risk, (ii) qualitative risk management requirements, such as the management of operational risk, strategic risk and reputational risk, and (iii) market discipline.

In addition to overall risk management, the Group also emphasises its risk management throughout the insurance value chain. The Group's product managers in each business department also contribute to its risk management efforts in their daily practices. The Group has set up key risk indicators for each business department to monitor its daily operations. Prompt reporting to the risk management department is required when key risk indicators are triggered.

Recent Developments

The Company's H Shares were listed on the Main Board of the Hong Kong Stock Exchange on 28 September 2017. On 14 April 2020, the Company announced that it has submitted an application to the CSRC on 10 April 2020 in order to convert the domestic shares of the Company into H Shares, which is expected to be traded on the Main Board of the Hong Kong Stock Exchange. Upon obtaining all necessary approvals (including approvals from the CSRC and the Hong Kong Stock Exchange) and having complied with all applicable laws, rules and regulations, the domestic shares of the Company shall be converted into H Shares and the Company will apply for the listing of and permission to deal in such H Shares on the Main Board of the Hong Kong Stock Exchange.

The unaudited aggregate GWP of the Group for the period from 1 January 2020 to 31 May 2020 was approximately RMB5,349 million, representing a 16.6% increase compared with that for the corresponding period in 2019, which was approximately RMB4,588 million. The overall impact of the COVID-19 outbreak on the Group's business is relatively limited due to the Group's purely online business model. The COVID-19 outbreak has had a negative impact on the Group's auto and travel ecosystems due to the travel restrictions and lockdown measures, as well as the consumer finance ecosystem with an expectation of tightened credit cycle in China due to the COVID-19 outbreak and the slowdown in the macro-economy. However, those negative impacts were offset by strong demands for the Group's health insurance products due to the growing protection awareness of customers and a rise in online purchasing habits during the pandemic, as well as moderate GWP growth in the lifestyle consumption ecosystem boosted by increased online consumption during social distancing. According to the information currently available, the Group is of the view that the COVID-19 outbreak does not have a material adverse effect on its results of operations and long-term business development.

On 6 July 2020, the Company published a positive profit alert (the "**Positive Profit Alert**") on the website of the Hong Kong Stock Exchange. According to the Positive Profit Alert, based on the Board's preliminary review of the unaudited management accounts and the information of the Group currently available to the Board, the Group expects its unaudited consolidated net profit attributable to owners of the Company for the six months ended 30 June 2020 to increase by no less than 100% as compared to an unaudited consolidated net profit attributable to owners of the Company of approximately RMB94,538,000 for the corresponding period in 2019. The improvement in the performance of the Group is mainly due to the decrease in the underwriting loss. As the Company continued to pursue growth with quality, the combined ratio further improved accompanied by the steady increase in the gross written premiums. The Positive Profit Alert is only based on the Company's preliminary evaluation of the available information of the Group and is not based on any financial figures or information that have been audited or reviewed by the Company's auditor. Further adjustments and finalisation in the Group's 2020 interim financial results may be required. The Group is still in the process of finalising its results for the six months ended 30 June 2020, which are expected to be published by August 2020.

THE OFFERING

The following summary contains some basic information about the Notes and is qualified in its entirety by the remainder of this Offering Circular. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in the Terms and Conditions and the "Summary of Provisions Relating to the Notes while in Global Form" shall have the same meanings in this summary. For a complete description of the terms of the Notes, see "Terms and Conditions of the Notes" in this Offering Circular.

The offering of the Notes contemplated hereby will be made pursuant to the Subscription Agreement (as defined in "Subscription and Sale").

Issuer	ZhongAn Online P & C Insurance Co., Ltd. (眾安在綫財產保險股份有限公司).
Notes	U.S.$600,000,000 3.125 per cent. Notes due 2025.
Issue Price	100.00 per cent.
Form and Denomination	The Notes will be issued in registered form in the denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Interest	The Notes will bear interest from and including the Issue Date at the rate of 3.125 per cent. per annum, payable semi-annually in arrear in equal instalments on 16 January and 16 July in each year, subject as provided in Condition 6 (*Payments*) of the Terms and Conditions.
Issue Date	16 July 2020.
Maturity Date	16 July 2025.
Status of the Notes	The Notes will constitute direct, general, unconditional, unsubordinated and (subject to Condition 3(a) (*Negative Pledge*) of the Terms and Conditions) unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Negative pledge	The Notes will contain a negative pledge provision as further described in "*Terms and Conditions of the Notes — Covenants — Negative Pledge*".

Undertakings relating to Foreign Debt Registration and applicable PRC laws	The Issuer will undertake that it will (i) within the prescribed time period after the Issue Date, register or cause to be registered with SAFE the Notes pursuant to the Administrative Measures for Foreign Debt Registration and its operating guidelines, effective as of 13 May 2013, (ii) use its reasonable endeavours to complete the Foreign Debt Registration and obtain a registration record or evidence of filing from SAFE on or before the Registration Deadline, (iii) as soon as possible upon being required or requested to do so by any relevant governmental authority, file or cause to be filed with SAFE the Notes pursuant to the Circular of the People's Bank of China on Matters concerning the Macro-Prudential Management of Cross-Border Financing in Full Aperture (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知) issued by the People's Bank of China and which came into effect on 12 January 2017, and (iv) comply with all applicable PRC laws and regulations in relation to the Foreign Debt Registration. See "*Terms and Conditions of the Notes — Covenants — Undertakings relating to Foreign Debt Registration and applicable PRC laws*".
Notification to NDRC	The Issuer will undertake that it will within the prescribed time period after the Issue Date file or cause to be filed with the NDRC the requisite information and documents in accordance with the NDRC Circular. See "*Terms and Conditions of the Notes — Covenants — Notification to NDRC*".
Redemption for Tax Reasons	The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders and in writing to the Trustee and the Principal Paying Agent (which notice shall be irrevocable) at their principal amount, together with interest accrued to but excluding the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that: (A) the Issuer has or will become obliged to pay Additional Amounts (as defined in Condition 7 *(Taxation)* of the Terms and Conditions) as provided or referred to in Condition 7 of the Terms and Conditions as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 9 July 2020; and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts if a payment in respect of the Notes were then due. See "*Terms and Conditions of the Notes — Redemption and Purchase — Redemption for tax reasons*".

Redemption for No Registration Event

At any time following the occurrence of the No Registration Event (as defined in Condition 5(c) (*Redemption for No Registration Event*) of the Terms and Conditions), each Noteholder will have the right, at such Noteholder's option, to require the Issuer to redeem all but not some only of that Noteholder's Notes on the Put Settlement Date (as defined in Condition 5(c) (*Redemption for No Registration Event*) of the Terms and Conditions) at 100 per cent. of their principal amount, together with interest accrued to but excluding such Put Settlement Date. See "*Terms and Conditions of the Notes — Redemption and Purchase — Redemption for No Registration Event* ".

Optional Redemption

The Issuer may redeem the Notes, in whole, but not in part, at any time upon giving not less than 15 nor more than 45 days' notice to the Noteholders in accordance with Condition 15 and in writing to the Trustee and the Principal Paying Agent (an "**Optional Redemption Notice**"), at a redemption price equal to (i) (in the case of an Optional Redemption Date falling before 16 April 2025) their Make Whole Amount (as defined in Condition 5(d) (*Optional Redemption*) of the Terms and Conditions) together with any interest accrued to but excluding such Optional Redemption Date or (ii) (in the case of an Optional Redemption Date falling on or after 16 April 2025) 100 per cent. of their principal amount together with any interest accrued to but excluding such Optional Redemption Date (collectively, the "**Optional Redemption Price**"). See "*Terms and Conditions of the Notes — Redemption and Purchase — Optional Redemption*".

Taxation

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

	Where such withholding or deduction is made by the Issuer in the PRC at the rate applicable on 9 July 2020 (the "**Applicable Rate**"), the Issuer will pay such additional amounts as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required. In the event that the Issuer is required to make a deduction or withholding by or within the PRC in excess of the Applicable Rate, the Issuer shall pay such additional amounts (the "**Additional Amounts**") as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in the circumstances set out in "*Terms and Conditions of the Notes — Taxation*".
Events of Default	If any of the events as described in "*Terms and Conditions of the Notes — Events of Default*" occurs and is continuing, the Trustee at its discretion may and, if so requested in writing by holders of at least 25 per cent. of the aggregate principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution of the Noteholders, shall (subject in any such case to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction) give written notice to the Issuer declaring the Notes to be, whereupon they shall immediately become, due and payable at their principal amount together with accrued and unpaid interest without further action or formality.
Cross-default	The Notes will contain a cross-default provision as further described in "*Terms and Conditions of the Notes — Events of Default — Cross-default of Issuer or Subsidiary*".
Clearing Systems	The Notes will be represented by beneficial interests in a Global Note Certificate in registered form, which will be registered in the name of a nominee of, and shall be deposited with, a common depository for Euroclear and Clearstream. Beneficial interests in the Global Note Certificate will be shown on and transfers thereof will be effected only through records maintained by Euroclear and Clearstream. Except in the limited circumstances described in the Global Note Certificate, owners of interests in Notes represented by a Global Note Certificate will not be entitled to receive individual Note Certificates in respect of their individual holdings of Notes. The Notes are not issued in bearer form.
Clearance and Settlement	The Notes have been accepted for clearance by Euroclear and Clearstream under the following codes: ISIN: XS2178448861 Common Code: 217844886.
Issuer's Legal Entity Identifier	5299006845ISFI2WAI41

Governing Law	English law.
Trustee	Citicorp International Limited.
Registrar, Principal Paying Agent and Transfer Agent	Citibank, N.A., London Branch.
Listing	Application has been made to the Hong Kong Stock Exchange for the listing of the Notes on the Hong Kong Stock Exchange by way of debt issues to Professional Investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) only.
Rating	The Issuer is rated "Baa1". The Notes are expected to be rated "Baa2" by Moody's. A rating is not a recommendation to buy, sell or hold the Notes. A rating is subject to revision or withdrawal at any time by the rating agency.
Further Issues	The Issuer may from time to time, without the consent of the Noteholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the issue date, the first payment of interest and the timing for complying with the Registration Conditions, for filing the NDRC Post-issue Filing with the NDRC and for completion of the Foreign Debt Registration or other reporting to SAFE) so as to form a single series with the Notes, as the case may be, as further described in "*Terms and Conditions of the Notes — Further Issues*".
Use of Proceeds	See "*Use of Proceeds*".

SUMMARY FINANCIAL INFORMATION AND OTHER DATA OF THE GROUP

The following tables set forth the summary consolidated financial information of the Group as at and for the years and periods indicated.

The summary audited consolidated financial information of the Group as at and for the years ended 31 December 2017, 2018 and 2019 have been derived from the Group's audited consolidated financial statements for the years ended 31 December 2018 and 2019 which have been prepared and presented in accordance with HKFRS and have been audited by PwC, the Group's independent auditor.

*In preparing the Group's 2018 consolidated financial statements, the Group has adopted HKFRS 15 "Revenue from Contracts with Customers" ("**HKFRS 15**") with effect from 1 January 2018 and has restated the Group's 2017 consolidated financial statements. The selected financial information as at and for the year ended 31 December 2017 included in the Offering Circular has been derived from the Group's audited consolidated financial statements as at and for the year ended 31 December 2018. For the impact on adoption of HKFRS 15, please refer to note 2.1(a) to the Group's 2018 consolidated financial statements. Also, in preparing the Group's 2019 consolidated financial statements, the Group has adopted HKFRS 16 "Leases" ("**HKFRS 16**") with effect from 1 January 2019 and has not restated prior period's consolidated financial statements. Therefore, the Group's 2019 consolidated financial statements is not comparable with the Group's 2017 and 2018 consolidated financial statements. For the impact on adoption of HKFRS 16, please refer to note 2.1(a) to the Group's 2019 consolidated financial statements.*

The summary financial information below should be read in conjunction with the consolidated financial statements and the notes to those statements included elsewhere in this Offering Circular.

Summary Consolidated Statement of Comprehensive Income

	For the year ended 31 December		
	2017	2018	2019
	(Audited)	(Audited)	(Audited)
		(RMB'000)	
Gross written premiums	5,954,475	11,255,718	14,629,589
Less: Premiums ceded to reinsurers	(249,310)	(462,622)	(234,148)
Net written premiums	5,705,165	10,793,096	14,395,441
Less: Net change in unearned premium reserves	(1,091,058)	(1,992,793)	(1,593,990)
Net premiums earned	**4,614,107**	**8,800,303**	**12,801,451**
Net investment income	778,895	774,485	1,775,786
Net fair value changes through profit or loss	58,800	(153,949)	169,896
Other income	131,391	189,475	376,831
Total income	**5,583,193**	**9,610,314**	**15,123,964**
Net claims incurred	(2,745,947)	(5,268,436)	(8,624,689)
Handling charges and commissions	(602,719)	(1,074,756)	(909,909)
Foreign exchange (losses)/gains	(138,688)	(838)	1,962
Finance costs	(4,139)	(43,276)	(111,096)
General and administrative expenses	(2,885,647)	(4,626,959)	(5,416,859)
Other expenses	(205,435)	(413,040)	(630,265)
Total expenses	**(6,582,575)**	**(11,427,305)**	**(15,690,856)**
Share of net (loss)/profit of associates and joint ventures accounted for using the equity method	(2,807)	6,830	(43,946)
Loss before income tax	**(1,002,189)**	**(1,810,161)**	**(610,838)**
Income tax	5,833	13,443	(27,807)
Net loss for the year	**(996,356)**	**(1,796,718)**	**(638,645)**

	For the year ended 31 December		
	2017	**2018**	**2019**
	(Audited)	**(Audited)**	**(Audited)**
		(RMB'000)	
Loss attributable to:			
Owners of the parent	(997,250)	(1,743,895)	(454,101)
Non-controlling interests	894	(52,823)	(184,544)
	(996,356)	**(1,796,718)**	**(638,645)**
Loss per share			
Basic loss per share (RMB yuan)	(0.77)	(1.19)	(0.31)
Diluted loss per share (RMB yuan)	(0.77)	(1.19)	(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	(56,052)	46,011	(72,915)
Exchange differences on translation of foreign operations	(4,106)	6,939	30,631
Other comprehensive income/(loss) for the year, net of tax	**(60,158)**	**52,950**	**(42,284)**
Total comprehensive loss for the year	**(1,056,514)**	**(1,743,768)**	**(680,929)**
Total comprehensive loss for the year attributable to:			
Owners of the parent	(1,055,397)	(1,695,654)	(511,410)
Non-controlling interests	(1,117)	(48,114)	(169,519)
	(1,056,514)	**(1,743,768)**	**(680,929)**

Summary Consolidated Balance Sheet

	As at 31 December		
	2017	2018	2019
	(Restated)*	(Audited)	(Audited)
		(RMB'000)	
ASSETS			
Cash and cash equivalents	5,260,259	2,426,829	2,914,820
Financial assets at fair value through profit or loss	5,608,633	9,288,084	6,220,536
Securities purchased under agreements to resell	3,043,417	1,038,887	160,000
Interest receivables	155,641	377,895	306,078
Premium receivables	523,761	2,037,286	3,532,160
Reinsurance receivables	46,692	287,379	238,028
Reinsurers' share of insurance contract liabilities	132,423	243,216	275,127
Available-for-sale financial assets	3,191,179	6,572,814	12,200,672
Loans and advances to customers	90,104	71,295	50,900
Investments classified as loans and receivables	2,089,291	597,069	1,276,676
Term deposits	—	960,000	300,000
Restricted statutory deposits	248,125	293,963	294,338
Investment in associates and joint ventures	164,399	344,836	613,309
Right-of-use assets	—	—	363,635
Property and equipment	85,179	106,730	90,968
Intangible assets	253,659	409,261	488,779
Goodwill	1,047	3,997	3,997
Deferred income tax assets	—	19	—
Other assets	255,683	1,281,536	1,577,552
Total assets	**21,149,492**	**26,341,096**	**30,907,575**
EQUITY AND LIABILITIES			
Equity			
Share capital	1,469,813	1,469,813	1,469,813
Reserves	16,593,652	16,642,673	16,576,422
Accumulated losses	(936,552)	(2,680,447)	(3,134,580)
Equity attributable to owners of the parent	17,126,913	15,432,039	14,911,655
Non-controlling interests	143,783	1,042,634	1,593,876
Total equity	**17,270,696**	**16,474,673**	**16,505,531**
Liabilities			
Customer deposits	—	—	23,841
Borrowings	—	59,716	—
Securities sold under agreements to repurchase	135,400	2,552,928	4,049,725
Premiums received in advance	75,356	111,736	101,134
Reinsurance payables	247,831	355,271	218,060
Income tax payable	—	927	2,170
Insurance contract liabilities	2,430,076	5,327,116	7,542,640
Lease liabilities	—	—	398,366
Investment contract liabilities	17,840	—	—
Deferred income tax liabilities	—	—	42
Contract liabilities	12,915	15,205	22,089
Other liabilities	959,378	1,443,524	2,043,977
Total liabilities	**3,878,796**	**9,866,423**	**14,402,044**
Total equity and liabilities	**21,149,492**	**26,341,096**	**30,907,575**

* The restated consolidated balance sheet as at 31 December 2017 has been derived from the Group's audited consolidated financial statements as at and for the year ended 31 December 2018. The Group has adopted HKFRS 15 from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transition provisions in HKFRS 15, the Group has adopted the new rules and has restated comparatives for the 2017 financial year. There is no material impact on the financial statements of 2017 retrospectively except that the reclassification adjustments were made to the amounts recognised in the balance sheet at the date of initial application. Please refer to note 2.1(a) to the Group's 2018 consolidated financial statements for details.

Summary Consolidated Statement of Cash Flows

	For the year ended 31 December		
	2017	2018	2019
	(Audited)	(Audited)	(Audited)
		(RMB'000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operating activities	(709,794)	(1,279,097)	(1,214,823)
Net cash outflow from operating activities	**(709,794)**	**(1,279,097)**	**(1,214,823)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment, intangible assets and other assets	(215,559)	(328,202)	(286,031)
Proceeds from sale of property and equipment, intangible assets and other assets	18	57	83
Purchases of investments, net	(6,670,453)	(4,982,424)	(1,863,790)
Acquisition of subsidiaries and other business entities, net	(162,400)	(173,606)	(62,086)
Deconsolidation of subsidiaries, net	—	—	(28,692)
Dividends and others received from investments	738,393	546,026	1,879,219
Net cash outflow from investing activities	**(6,310,001)**	**(4,938,149)**	**(361,297)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of ordinary shares	11,335,064	—	—
Proceeds from issues of preferred shares	—	614,185	814,105
Increase in securities sold under agreements to repurchase, net	(151,413)	2,374,252	1,408,374
Proceeds from capital injection by non-controlling interests	151,000	336,501	455,937
Proceeds from/(repayment of) borrowings	—	59,716	(60,356)
Payment for repurchase of non-controlling interests' shares	—	—	(317,619)
Payment for redemption of preferred shares	—	—	(149,007)
Principal elements of lease payments	—	—	(119,916)
Other cash payment related to financing activities	(65,047)	—	—
Net cash inflow from financing activities	**11,269,604**	**3,384,654**	**2,031,518**
Effects of exchange rate changes on cash and cash equivalents	(142,794)	(838)	32,593
Net increase/(decrease) in cash and cash equivalents	4,107,015	(2,833,430)	487,991
Cash and cash equivalents at the beginning of year	1,153,244	5,260,259	2,426,829
Cash and cash equivalents at the end of year	**5,260,259**	**2,426,829**	**2,914,820**

Other Financial Data

	For the year ended or as at 31 December		
	2017	**2018**	**2019**
Retention ratio[1]	95.8%	95.9%	98.4%
Loss ratio[2]	59.5%	59.9%	67.4%
Expense ratio[3]	73.6%	61.0%	45.9%
Combined ratio[4]	133.1%	120.9%	113.3%
Net investment yield[5]	3.8%	4.2%	4.8%
Total investment yield[6]	7.7%	2.6%	9.3%
Return on average assets[7]	(8.1%)	(7.3%)	(1.6%)
Return on average equity[8]	(10.5%)	(10.7%)	(3.0%)
Gearing ratio[9]	18.3%	37.5%	46.6%
Core solvency margin ratio[10]	1,178%	600%	502%
Comprehensive solvency margin ratio[11]	1,178%	600%	502%

(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 as a percentage of net premiums earned.

(4) Combined ratio equals the sum of loss ratio and expense ratio.

(5) Net investment yield equals the sum of net interest income, dividend income and share of net profit of associates and joint ventures less interest expense relating to securities sold under agreements to repurchase for the period as a percentage of the average of the opening and closing balances of total investment assets of the period.

(6) Total investment yield equals total investment income (defined as the sum of net investment income, net fair value gains through profit or loss and share of net profit of associates and joint ventures less interest expense relating to securities sold under agreements to repurchase and impairment relating to investment assets) for the period as a percentage of the average of the opening and closing balances of total investment assets of the period.

(7) Return on average 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.

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

(9) Gearing ratio equals total liabilities (excluding capital supplementary bonds and subordinated term debts) as a percentage of total assets.

(10) Core solvency margin ratio equals core capital as a percentage of minimum required capital.

(11) Comprehensive solvency margin ratio equals actual capital as a percentage of minimum required capital.

RISK FACTORS

Prior to making an investment decision, prospective investors should carefully consider the following risk factors, along with the other matters set out in this Offering Circular. PRC laws and regulations may differ from the laws and regulations in other countries. Additional risks not described below or not currently known to the Group or that it currently deems immaterial may also adversely affect the Group's business, financial condition or results of operations or the value of the Notes. The Group believes that the risk factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Group to pay interest, principal or other amounts on or in connection with any Notes may occur for reasons which may not be considered as significant risks by the Group based on information currently available to it or which it may not currently be able to anticipate. All of these factors are contingencies which may or may not occur and the Group is not in a position to express a view on the likelihood of any such contingency occurring.

The Group does not represent that the statements below regarding the risk factors of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

RISKS RELATING TO THE GROUP'S BUSINESS

The Group incurred an underwriting loss and a net loss for the years ended 31 December 2017, 2018 and 2019 and may continue to experience losses in the future.

For the years ended 31 December 2017, 2018 and 2019, the Group recorded an underwriting loss of RMB1,529.6 million, RMB1,835.4 million and RMB1,698.8 million, respectively, and its combined ratio was 133.1%, 120.9% and 113.3%, respectively. A combined ratio below 100% generally indicates underwriting profit, whereas a combined ratio over 100% generally indicates underwriting loss. The Group incurred a net loss of RMB996.4 million, RMB1,796.7 million and RMB638.6 million, respectively, for the years ended 31 December 2017, 2018 and 2019. There is no assurance that the Group will be able to generate net profit in the future.

The Group's ability to achieve and retain profitability depends in large part on its ability to manage combined ratio as it continues to develop its business. The Group adopts a strategy of "growth with quality", leveraging technology to reduce costs and improve efficiency, and optimising product mix to control loss and expense ratios, for instance by reducing the scale of group health insurance products and certain travel ecosystem products. The Group also continuously optimises its business structure, strives to deepen and expand cooperation with its ecosystem partners and further develops its proprietary platforms in order to reduce expense ratio in the long term. However, the success of these efforts depends on many factors, some of which, such as the Group's relationship with its ecosystem partners, competitive landscape, market acceptance of its products, etc., are not entirely within its control.

In addition, the Group's technology export business is still in an early stage of development which requires continuous investment by the Group. Although the Group believes that the investment in developing its technologies can increase and maintain the Group's long-term competitiveness, the continuous investment may increase the research and development expenditures into the technology export business, which would negatively affect the Group's overall profitability in the near future. Therefore, the Group may continue to experience losses in the future.

The Group recorded net cash outflow from operating activities for the years ended 31 December 2017, 2018 and 2019 and may not generate positive cash flows from operating activities in the future.

The Group's ability to meet its working capital requirements depends in part on its ability to generate positive cash flows from operating activities. For the years ended 31 December 2017, 2018 and 2019, the Group recorded net cash outflow from operating activities of RMB709.8 million, RMB1,279.1 million and RMB1,214.8 million, respectively. The Group cannot guarantee that it will be able to generate positive cash flows from its operating activities in the future. The Group's future cash flows from operating activities will be influenced by the demand for its products and services, its ability to control its costs and expenses, general economic conditions and other factors affecting its operations, many of which are beyond its control.

To maintain its leadership in the Insuretech industry, the Group will continue to enhance its technology strength, accelerate product innovation, develop proprietary platforms and explore new development paths, which may entail substantial cash outflows and negatively affect the Group's cash flows from operating activities in the future.

The Group is operating in an emerging, dynamic and competitive industry, and the Group cannot guarantee that its current or future strategies will be successfully implemented or that it will continue to grow or generate profit.

Compared to traditional insurance companies, the Group has a limited operating history in the insurance market and is operating in an emerging, dynamic and competitive Insuretech market in China. The Group launched its first product in November 2013. Its relatively short operating history, together with the emerging, dynamic and competitive features of the Insuretech industry, makes it difficult to assess its future prospects or forecast its future results. In addition, some of its insurance products have a short operating history and their past profitability may not be indicative of their future profitability and can be also affected by the cooperation model with its ecosystem partners.

As the Group's business develops and in response to competition and regulatory changes, the Group may continue to introduce new products, improve its existing products, or adjust and optimise its business model. In connection with the introduction of new products or in response to general economic conditions or regulatory changes, the Group may impose a more stringent risk management policy and/or system to ensure the quality of its underwriting business, which may negatively affect the growth of its business. Any significant change to its business model may not achieve expected results and may have a material and adverse impact on its financial condition and results of operations. It is therefore difficult to effectively assess the Group's future prospects. The risks and challenges the Group encounters or may encounter in this emerging, dynamic and competitive market may have impacts on its business and prospects. These risks and challenges include its ability to, among other things:

- develop and maintain relationships with its existing business partners and attract new business partners;
- enhance and maintain the value of its brand;
- navigate an evolving regulatory environment;
- develop and launch diversified and distinguishable products to effectively address the needs of its customers and ecosystem partners;
- grow its customer base and enhance its customer engagement in a cost-efficient manner;
- develop or implement additional strategic initiatives to further increase monetisation;

- enhance its risk management and asset and liability matching capabilities;
- maintain a reliable, secure, high-performance and scalable technology infrastructure;
- maintain its innovative corporate culture and continue to attract, retain and motivate talented employees;
- generate reasonable returns on its investments or realise synergies by investing in potential strategic targets; and
- defend itself against litigation, regulatory interference, claims concerning intellectual property, privacy or other aspects of its business.

The industry in which the Group operates is generally new and highly dynamic, and may not develop as expected. If the Group fails to educate business partners and customers about the value of its platforms, products and solutions, if the market for the Group's products and solutions does not develop as it expects, and if the Group fails to address the needs of its target market, or face other risks and challenges, its business and results of operations will be harmed.

The Group's business growth and profitability in recent periods may not be indicative of future performance. Investors should not rely on the results of recent periods as an indication of future revenue, profit or growth.

The Group has experienced rapid growth in GWP in recent years. The Group's GWP grew from RMB5,954.5 million in 2017, to RMB11,255.7 million in 2018, and further to RMB14,629.6 million in 2019, representing a CAGR of 56.7%. However, the Group may not be able to grow at the same rate in the future if it cannot implement its business strategies successfully and continue to monetise its customer base. Accordingly, investors should not rely on the results of any prior interim or annual periods as indicative of the Group's future GWP growth or financial results. In future periods, the Group's GWP could grow more slowly than it expects or even decline. The Group incurred a net loss of RMB638.6 million for the year ended 31 December 2019. Although the net loss in 2019 decreased significantly compared to the net loss of RMB1,796.7 million for the year ended 31 December 2018, the Group may continue to incur losses in the future for a number of reasons, including other risks described in this section, and the Group may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors.

In 2019, the Group's insurance business segment achieved a net profit of RMB7.6 million. However, the Group's recent profitability may not be indicative of future profitability. The Group has derived and expects to continue to derive a significant majority of its total income from the sale of its ecosystem-oriented insurance products, which are facing increasing competition. As the Group continues to expand and deepen its cooperation with ecosystem partners, the Group's insurance operating expenses, in particular, consulting and technical fee, handling charges and commissions, may increase significantly. In addition, the expansion of the Group's customer base and the rapid increase in GWP may subject the Group to greater insurance risks, and the premiums it collects may not be sufficient to cover insurance operating expenses.

In 2019, the Group also achieved rapid growth in its technology export business, recording a revenue of RMB269.7 million, with a year-on-year increase of 139.9%. However in the future, the Group may not be able to achieve economies of scale or sustain similar levels of growth in its technology export business, which may materially and adversely affect the Group's financial condition.

Continued growth could also strain the Group's ability to provide reliable customer services, maintain efficient and refined business process, and improve its operations. In order to attain and maintain profitability, the Group will also need to recruit, develop and retain skilled and experienced personnel who can demonstrate its value proposition to customers and ecosystem partners. The addition of new employees and the upgrading of systems will increase the Group's expense. As a result, the Group may continue to incur net losses in the future.

The demand of the Group's products or service may decrease in the possible downturn of the global economic environment caused by COVID-19, which will negatively affect the Group's business operation and financial performance.

The outbreak of COVID-19 worldwide may affect the Group's business operations. The spread of COVID-19 has adversely affected the global economic environment, and may cause global economies to fall into recession. This may affect demand for the Group's insurance products and services, particularly with respect to the Group's travel, consumer finance and auto ecosystems. For instance, the tourism industry worldwide has been adversely affected due to cancellation of flights, lockdown measures and quarantine procedures imposed by various countries. If the implementation of such travel restrictions is prolonged as a result of the continued spread and occurrence of COVID-19, this may have a negative impact on the Group's travel ecosystem. In addition, if China's credit cycle tightens, or if the Group implements stricter risk management during the COVID-19 outbreak, there may be a higher loss ratio or lower growth rate for the premium of the Group's consumer finance ecosystem. Moreover, the travel restrictions and lockdown measures may lead to a decline in users' purchasing behaviour, a drop in the number of new cars being purchased, and subsequently reduced demand for auto insurance by PRC consumers, which may negatively affect the performance of the Group's products in the auto ecosystem. Although the Group has adopted more stringent risk control standards (adjusting underwriting parameters) to prioritise risk management rather than revenue growth in the consumer finance and travel ecosystems, there is possibility that the Group may face potential increase of loss ratio due to the outbreak of COVID-19 particularly from its consumer finance products.

The spread of COVID-19 may affect investment sentiment and result in sporadic volatility in global capital markets, which may adversely affect the Group's investment income. Please refer to "*The Group's business operations and financial condition may be materially adversely affected by market volatility. In particular, the Group may not be able to maintain its current rate of growth in investment income.* " in this section. Additionally, if any of the Group's employees is contracted with COVID-19, this may require the Group to suspend a portion of its operations and subject its employees to mandatory quarantine measures. Coupled with the prolonged closures of workplaces, this may adversely affect the Group's business performance and day-to-day operations. The Group is not able to predict when the outbreak of COVID-19 will be contained, and cannot forecast whether the impact of COVID-19 on the PRC and global economies will be short-lived or long-lasting. If the spread of COVID-19 is not controlled in the near future, the Group's business operations and financial condition may be materially and adversely affected as a result of the slowdown in economic growth, negative business sentiment worldwide or other factors which the Group cannot foresee.

The Group's business operations and financial condition may be materially adversely affected by market volatility. In particular, the Group may not be able to maintain its current rate of growth in investment income.

There are certain risks involved in the Group's business operations, many of which are beyond the Group's control. For instance, the ongoing trade dispute between the PRC and the United States and the increase in tariffs that the United States plans to impose on Chinese imports have contributed to increased market volatility, weakened consumer confidence and diminished expectations for economic growth around the world. In Europe, the exit of the United Kingdom from the European Union could also have a significant impact on international markets. In Hong Kong, ongoing civil unrest may result in political and economical instability in the region. These could include further falls in stock exchange indices, a fall in the value of the key trading currencies and/or greater volatility of interest rates due to the increased uncertainty across the markets. The recent COVID-19 outbreak and its spread worldwide are expected to introduce more uncertainties and volatility in global markets, and it remains unknown when the ongoing situation will improve. Financial market volatility and geographic uncertainties may have a broader global economic impact that may in turn have a material adverse effect on the Group's business, financial condition, results of operations and compliance with capital adequacy ratios.

The Group's investment returns, and thus its profitability, may be materially and adversely affected by conditions affecting its investments, including interest rates, currency exchange rates, credit and liquidity conditions, the performance and volatility of the capital markets, and macroeconomic and geopolitical conditions. Any significant deterioration in one or more of these factors could reduce the value of, and the income generated by, the Group's investment portfolio and could have a material adverse effect on its business, financial condition and results of operations.

In 2019, benefitting from the outstanding performance of the A-share market, the Group's total investment yield was 9.3%, with an investment income of RMB1,815.5 million, representing a year-on-year increase of 264.0%. The net loss attributable to owners of the Group significantly decreased to RMB454.1 million in 2019, compared to RMB1,743.9 million in 2018. Going forward, the Group may not be able to sustain such remarkable growth in investment income due to factors relating to market volatility that the Group is unable to anticipate or control.

Additionally, a decline in interest rates could result in reduced investment returns on the Group's newly added assets and have an adverse impact on its profitability. During periods of declining interest rates, the Group's average investment yield will decline as its maturing investments, as well as bonds that are redeemed or prepaid to take advantage of the lower interest rate environment, are replaced with new investments carrying lower yields, which would adversely affect the Group's profitability. Historically, in light of the global financial crisis that unfolded in 2008 and continued during 2009, the PBOC has reduced the benchmark interest rate on one-year term deposits several times, from 4.14% in December 2007 to 2.25% in December 2008, in an effort to bolster the economy. The PBOC has also adjusted the benchmark one-year bank lending rate many times since 2008. The PBOC lowered the benchmark one-year bank lending rate to 5.35% on 1 March 2015, to 5.10% on May 11, 2015, to 4.85% on 27 June 2015, to 4.6% on 26 August 2015, and further lowered it to 4.35% on 24 October 2015. The benchmark one-year bank lending rate was maintained at 4.35%. The PRC government may take further measures in response to changes in the macroeconomic environment, including further reducing interest rates, which may reduce the Group's return on investments and materially and adversely affect its results of operations.

The Group's investment portfolio also contains a large portion of fixed income investments holding to maturity and expecting to collect principal. The counterparty default risk stemming from such fixed income investments may also adversely affect the Group's profitability.

The Group's expansion into overseas markets may not be successful.

In recent years, the Group has sought to export its insurance technology strengths to overseas markets. In the technology business segment, the Group has entered into cooperation agreements with overseas partners in countries such as Japan, Singapore, and across Southeast Asia, and in 2019, the Group's overseas strategy has started to show positive results. Moreover, on 27 March 2019, the Group was granted a "virtual bank" licence by the Hong Kong Monetary Authority. ZA Bank Limited subsequently launched its trial pilot on 18 December 2019 and officially commenced business in March 2020, offering customers with a series of new and comprehensive online finance services. On 4 May 2020, ZA Life Limited, an Insuretech joint venture of ZhongAn Technologies International Group Limited and Fubon Life Hong Kong, received Hong Kong Insurance Authority's authorisation to conduct online insurance business in Hong Kong.

The Group may continue to expand its international presence and explore opportunities in other overseas markets in the future. However, the Group cannot guarantee that its current overseas business operations will continue at the same rate of success, or that future attempts to develop the Group's business operations abroad will be successful. The Group's overseas business is largely affected by conditions of general economic, geopolitical and market conditions as well as regulations in overseas markets. Such overseas expansion of the Group's business may involve unforeseen costs, capital expenditure and delays or other operational, technical and financial difficulties that may require a disproportionate amount of management attention and financial and other resources. There is no guarantee that the Group will be well equipped to manage the risks associated with expanding its business operations in overseas markets. Any of these factors may have a material and adverse effect on the Group's overseas expansion plans, and consequently, its business, prospects, financial condition and results of operations.

In operating its virtual bank business and online insurance business in Hong Kong, the Group is subject to requirements prescribed by the Hong Kong Monetary Authority, Hong Kong Insurance Authority and other Hong Kong laws and regulations governing the operations of ZA Bank Limited and ZA Life Limited. Such legal and regulatory restrictions may delay, or possibly prevent, some of the Group's online banking or online insurance solutions or services from being offered, which may have a material adverse effect on its business, financial condition and results of operations. Violations of such laws and regulations may also result in severe penalties, confiscation of illegal income, revocation of the Group's virtual bank licence or the termination of the authorization to the Group to conduct online insurance business in Hong Kong and, under certain circumstances, criminal prosecution.

The Group historically derived a substantial portion of its total income through partnering with its shareholders and related parties, and the synergy value and cross-selling effect from these partnerships may decrease in the future. Additionally, the interests of the Group's shareholders may not always be aligned with the interests of the Group.

The Group's shareholders are amongst its most important ecosystem partners. The Group would not be able to achieve its rapid growth without the support and resources provided by its shareholders. The Group cannot assure investors that its cooperative arrangements with its shareholders will be renewed or renewed on acceptable terms upon their expiration, and the Group cannot assure investors that it will be able to benefit from the cooperation from its shareholders. The cooperative arrangements with the Group's shareholders or related parties are not exclusive and more players are entering into the market to engage in similar business as that of the Group. Whether the Group's insurance solutions are ultimately selected over its competitors' is determined by these ecosystem partners, who may not necessarily favour the Group.

The Group relies on the systems and platforms of its shareholders and related parties to uncover and address different consumer needs. A number of the Group's largest ecosystem partners are owned or operated by Alibaba. Alibaba works with Ant Financial to select companies to provide insurance solutions that can best serve consumer needs arising from their respective platforms. Ant Financial provides technology and consulting services to the Group, which facilitate the integration of the Group's solutions into the platforms of Alibaba and its subsidiaries. In the event that Ant Financial is unable to facilitate the integration of the Group's solutions into the platforms of Alibaba and its subsidiaries, the Group's business and results of operations may be materially and adversely affected.

The Group may have overlap with the business of its shareholders. The Group cannot assure investors that its shareholders will act in the best interest of the Group should any conflict arise. If they fail to act in the Group's best interests, for example, if they fail to continue their cooperation with the Group through their platform and traffic direction, or conduct business in an unacceptable manner or take other actions that are detrimental to the Group's interests, the Group may have to renegotiate with them for the cooperation or attempt to approach other business partners as replacements, which may be expensive, time-consuming and disruptive to the Group's operations. If the Group is unable to resolve any such conflicts, or if the Group suffers significant delays or other obstacles as a result of such conflicts, its business and operations could be severely disrupted, which could materially and adversely affect its results of operations and financial condition.

Some of the Group's shareholders and related parties also offer products competing with those of the Group. internet conglomerates in China have strong technological capabilities, and may independently develop or distribute more products competing with the Group's products in the future. For example, each of Ant Financial, Tencent and Ping An Group has affiliate(s) of or investment in fintech companies. If the competition between the Group and its shareholders and related parties becomes more intense in the future, the Group's business and results of operations may be materially and adversely affected.

The Group depends on its cooperation with its ecosystem partners and other participants in the ecosystems. The Group's business may be affected if such partners do not continue to maintain their relationship with it or by the operational failure of third-party ecosystem partners.

The Group relies on its ecosystem partners in China to offer innovative insurance products to customers through scenario-based settings. In 2019, the proportion of GWP generated by the Group's proprietary platforms amounted to 7.6% of the Group's total GWP, and the proportion of GWP generated from third parties amounted to 92.4%, with most of these third parties being the Group's ecosystem partners. The Group's extensive customer data originates from its large and expanding customer base, most of which comes from its ecosystem partners. Certain of its ecosystem partners allocate insurance products provided by different insurance companies based on their platform rules and may not necessarily favour the Group.

The Group's partnership with its ecosystem partners is not on an exclusive basis, and the terms of the Group's cooperation agreements with such partners are subject to renewal. If the Group's ecosystem partners change their cooperation policies, terminate their partnership or do not renew the cooperation agreements with the Group, the Group's business and results of operations may be materially and adversely affected. If the Group is not able to attract new ecosystem partners, retain its existing ecosystem partners or renew its existing contracts with major ecosystem partners on terms favourable to it, the Group may not be able to increase its customer base, which will hinder its business growth. Additionally, the Group may rely on its ecosystem partners to drive the growth of its customer base, and the Group may incur significant customer acquisition costs in the future if its existing ecosystem partners experience loss in traffic, or charge a higher fee rate. Furthermore, with respect to the Group's consumer finance business, the Group has relied on, and may continue to rely on, its ecosystem partners for debt recovery and collection, and the Group's loss ratio, which is net of recovery, may increase significantly in future if its ecosystem partners fail to continue to provide such assistance in debt recovery and collection. The occurrence of any of these circumstances may significantly hinder the Group's ability to increase its customer base and may significantly increase its expense and thus the Group's business, results of operations, financial condition and prospects might be materially and adversely affected.

The Group may face competition from traditional insurance companies, other licensed internet insurance companies, as well as internet companies entering into the internet insurance sector.

The Group's current or potential competitors, such as traditional insurance companies, other licensed internet insurance companies and internet companies, may have significantly more financial, technical, marketing and other resources than it does and may be able to devote greater resources to the development, promotion, sale and support of their platforms and insurance products. They may also have more extensive customer base and greater brand recognition than the Group does. As such, they may have stronger capability to develop new products and solutions, to respond more quickly to new technologies and to undertake more extensive marketing campaigns. Hence, the Group's ecosystem partners may prefer products and solutions from its competitors compared to the ones it offers, and competition could result in reduced cooperation between the Group's ecosystem partners and the Group, and/or higher fee rates. The failure to achieve or maintain more widespread market acceptance or significant increases in the Group's cost of customer acquisition, among others, could harm the Group's business and results of operations.

In addition, most of the Group's ecosystem partners operate their businesses under a market-driven approach. If the Insuretech market becomes more developed and profitable, the Group's ecosystem partners may terminate their cooperation relationship with the Group and engage in similar business as the Group does. All these potential competitors may engage in pricing competition in the future by offering products with lower cost to customers. Potential pricing competition may force the Group to lower the prices of its products and solutions in order to stay competitive and thus cause downward pressure on its income and margins. If the Group is unable to compete with its competitors in this industry, the demand for its products and solutions could stagnate or substantially decline, which could have a material and adverse effect on the Group's business and results of operations.

If the Group does not meet solvency margin ratio requirements, it could be subject to regulatory actions and could be forced to change its business strategies or slow down its growth.

The Group is required by CBIRC regulations to maintain solvency margin ratios commensurate with its business and risk exposures. Under the Administrative Regulation of Solvency of Insurance Companies (保險公司償付能力管理規定) and the Regulatory Rules on the Solvency of Insurance Companies (保險公司償付能力監管規則), an insurance company is required to have capital commensurate with its risk exposure and scale of business to ensure a comprehensive solvency margin ratio of at least 150% and a core solvency margin ratio of at least 75%. Failing to do so could cause CBIRC to impose a range of limitations on its insurance business operations and investment activities depending on the degree of deficiency in the solvency margin ratio. For example, insurance companies with solvency margin ratios of less than 100% may be subject to limitations in relation to, among others, the establishment of new branches, distribution of dividends and investments in unsecured corporate bonds, infrastructural debt investment plans, unlisted equity securities, real estate, overseas investments, business scope, compensation of directors and supervisors, commercial advertisement and change of responsible persons and management of the Group. Under the China Risk Oriented Solvency System (C-ROSS), which took effect in 2016, the Company's comprehensive solvency margin ratio was 1,178%, 600% and 502% as of 31 December 2017, 2018 and 2019, respectively.

The solvency margin ratios are affected by a number of factors, such as the amount of capital, the level of reserves the Group is required to maintain, the profit margin of the Group's products, returns on the Group's investments, underwriting and acquisition costs, policyholder and shareholder dividends and business growth, and the solvency margin ratios fluctuate frequently. Many factors can cause the solvency margin ratios to fall below the level required by CBIRC. If the Group's financial performance or business results deteriorate, its business grows too rapidly and causes significant decline in solvency margin ratios, CBIRC may require the Group to make a rectification or otherwise impose more stringent solvency margin ratio requirements in the future, or for other reasons if the Group cannot comply with CBIRC's solvency margin ratio requirements, it may need to raise additional capital in order to support its business and operations. The Group's ability to obtain additional capital from external sources in the future is subject to a variety of uncertainties, including, among others, its future financial condition, results of operations and cash flows. The Group may not be able to obtain additional capital in a timely manner or on acceptable terms or at all. Therefore, the Group cannot assure investors that it will always be able to achieve the minimum solvency margin ratios required by CBIRC on an ongoing basis. If the Group fails to maintain the required solvency margin ratios, CBIRC may impose regulatory limitations on the Group, including, among other things, (i) order it to increase capital or restrict its distribution of dividends to shareholders; (ii) limit the compensation and spending of directors and senior management officers; (iii) impose restrictions on commercial advertising; (iv) restrict the establishment of new branches, limit its business scope, or order it to cease operating new business and to transfer its insurance business or cede its business; (v) order an auction of its assets or restrict its purchases of fixed assets; (vi) restrict the channels for deployment of its insurance funds; (vii) change the controller and relevant management; and (viii) put it into receivership. Some or all of these limitations could constrain the Group's underwriting capacity, lower its growth rate and have a material adverse effect on its business, results of operations and financial condition. Thus, failure by the Group to meet the solvency margin ratio requirements may have a material adverse effect on its business, results of operations, financial condition and prospects.

The Group operates in a capital intensive industry and requires a significant amount of capital to fund its operations. If the Group cannot obtain sufficient capital, its business, financial condition and prospects may be materially and adversely affected.

The Insuretech industry that the Group engages in requires it to possess a significant amount of capital to support the function of its huge volume of transactions and its robust operations of business. In order for the Group to grow, remain competitive, enter new businesses, expand its scale of operations or meet regulatory solvency margin ratio requirements, the Group may need new capital in the future. The Group's ability to obtain additional capital in the future is subject to a variety of uncertainties, including but not limited to:

- its future financial condition, results of operations and cash flows;
- the ability to obtain the necessary regulatory approvals on a timely basis;
- the Shareholders' ability to make continuous contributions;
- general market conditions for capital raising activities; and
- economic, political and other conditions in the PRC and elsewhere.

The Group's evolving business may require additional capital to meet the minimum solvency margin ratio requirements imposed by CBIRC and to achieve economies of scale and implement its growth strategy. In addition, similar to many other insurance products, the Group has inherent payment obligations in connection with its insurance products. If the Group fails to raise sufficient capital, it may not be able to meet its obligations at maturity or surrender of policies and its business and operations may be restricted. The Group's inability to raise additional capital in a timely manner and on favourable terms may have a material adverse effect on its business, financial condition and results of operations.

Differences in actual benefits and claims from the assumptions used in pricing and charging reserves for the Group's insurance products may materially and adversely affect the Group's results of operations and financial condition.

The Group's financial results depend to a significant extent on the level of consistency between actual benefits and claims the Group pays out and the assumptions and estimates the Group uses when setting the prices for its insurance products.

The Group's product pricing is based on assumptions and estimates that the Group derives from, among other things, its historical operating data, data collected from its ecosystem partners and third-party data providers, industry data, historical and current market conditions and the relevant CBIRC regulations. In addition, given that the Group's operating period in the industry is relatively short during which it collected and accumulated its data, the Group is only able to verify the reliability of its data during such limited operating period, and its data analytics capabilities may be limited. As a large portion of the Group's products are innovative, the Group may lack sufficient historical data to conduct accurate pricing and risk management. Furthermore, if the actual circumstances are not consistent with the data the Group collects, based on which the Group formulates its product pricing, or if the Group's actual investment performance is worse than the underlying assumptions, its profitability may be materially and adversely affected, which may in turn have a material adverse effect on its business, results of operations and financial condition.

The Group also relies heavily on the accuracy in actuarial statistics and capabilities in underwriting and pricing of its products to conduct its business, including recording and processing its operational and financial data and effectively executing its business plans through accurate actuarial analysis and pricing modelling. The proper functioning of its actuarial analysis, statistical analysis, products pricing, risk management, financial control, accounting, customer database, customer service, investment management and other data processing systems, including those relating to underwriting and claim settlement, is highly critical to its business and its ability to compete effectively. The Group relies on its AI and data capabilities to perform, among other things, its actuarial analysis and pricing modelling. The Group cannot guarantee investors it will be able to continue to upgrade its technology and maintain its capacity and accuracy. Failure to maintain such capacity and accuracy could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group is subject to credit cycle and the risk of deterioration of credit profiles of borrowers and the risks associated with debt recovery and collection for its consumer finance ecosystem, the occurrence of which will adversely affect the Group's results of operations and financial condition.

The Group's credit guarantee insurance is subject to credit cycle associated with the volatility of general economy. As economic conditions deteriorate, the Group faces increased risk of default or delinquency of borrowers in its consumer finance ecosystem, which will result in a higher loss ratio. In the event that the creditworthiness of the Group's customers deteriorates or the Group cannot track the deterioration of their creditworthiness, the credit criteria it uses for the analysis of borrower credit profiles may be rendered inaccurate, and the Group's risk management system may be subsequently rendered ineffective and the Group's risk reserves may become insufficient to cover losses, albeit the Group believes they were adequately made based on its historical results. This in turn may lead to higher default rates and adverse impacts on the Group's reputation, business, results of operations and financial positions. The loss ratio of the consumer finance ecosystem for the year ended 31 December 2019 was 97.0%, representing a year-on-year increase of 24.7 percentage points, which was attributable to the increase in default risks due to an increase in overall risks faced by the consumer finance industry amid the slowdown of the macro-economy in 2019.

Recently, CBIRC has promulgated a series of measures to proactively support continued healthy economic growth by increasing lending activities to small and medium-sized enterprises whilst effectively controlling risk. PBOC has also implemented a variety of measures to bring down the cost of borrowing for companies that have been hit hard by the outbreak of COVID-19, including lowering the loan interest rates. In February 2020, PBOC cut the one-year loan prime rate from 4.15% to 4.05%, which was the first cut since October 2019, and further lowered it to 3.85% on 20 April 2020. Although there are measures to prevent borrower default, the credit profiles of the borrowers may still deteriorate which could materially and adversely affect the Group's business, results of operations and financial condition.

In addition, compared to traditional products offered by traditional insurance companies with strict purchase requirements and procedures, the Group sells its credit guarantee insurance online with simple, paperless and highly transparent processes as well as affordable price. Thus, the Group's credit guarantee products have attracted an increasing number of young borrowers that are active users of e-commerce business and have strong needs for small credit to finance their online purchases. This trend in turn may reduce the general creditworthiness of borrowers in the Group's consumer finance ecosystem and increase the loss ratio of the Group's products in its consumer finance ecosystem because young borrowers tend to have less experience in managing personal wealth and do not have stable income.

Moreover, the Group's financial condition and results of operations depend on its ability to recover losses associated with credit guarantee insurance. The Group's debt recovery and collection depend on a variety of factors including borrower profiles, the effectiveness of its credit risk management, and the cooperation with and assistance from its ecosystem partners. In the event that the Group's ability to recover is impaired or lower than expected, its recovery rate and insurance claims paid as a percentage of net written premiums would deteriorate and the Group's financial condition and results of operations will be negatively impacted. These factors beyond the Group's control may adversely affect its results of operations and financial positions or render its risk reserve insufficient to cover losses. As of 31 December 2017, 2018 and 2019, the Group's underlying assets with credit guarantee insurance were RMB39.6 billion, RMB32.8 billion and RMB25.6 billion respectively.

If the Group fails to promote and maintain its brand reputation, it may lose market share and its business, results of operations and financial condition may be materially and adversely affected.

The Group believes that promoting and maintaining awareness of its ZhongAn brand among its customers, ecosystem partners and other third parties is critical to achieving widespread acceptance of its products and solutions, gaining trust for its brand and attracting new business partners and customers to its platform. In most scenarios, the majority of Group's products are embedded into the platforms of its ecosystem partners, and its brand names are not displayed unless the customers click the "more information" button to locate the relevant policies of the specific insurance products. The Group also strives to enhance brand awareness through promoting its proprietary platforms among its customer base, but there is no guarantee that such strategy can achieve and maintain success. Successful promotion of the Group's brand will depend largely on the quality of the products and solutions it offers and the effectiveness of its branding or marketing efforts and the customer experience it provides. The Group's brand promotion activities may not yield income from increased brand awareness and, even if they do, any income increases may not offset the expenses the Group incurs to promote its brand. If the Group is unable to maintain and further enhance its brand recognition and reputation and promote awareness of its platform, the Group may not be able to increase or maintain its current level of customer base and GWP. Unfavourable publicity related to the Group's industry, to its competitors or to the Group, could negatively affect its brand or reputation and its ability to attract new customers. If the Group fails to successfully promote and maintain its brand, if the Group incurs substantial expenses in an unsuccessful attempt to promote and maintain its brand, the Group may lose its existing ecosystem partners and customers or be unable to attract new partners and customers, which may cause its total income to decrease, harm competitiveness and negatively impact its business and results of operations.

The Group's business is inherently subject to the personal financial situation and preference of its customers, and thus may be materially and adversely affected due to the reduction of the demand for its products and solutions caused by the change of personal financial situation or preference of its customers.

The insurance market in China and abroad, the ecosystems where the Group operates and its customers' preferences are constantly evolving. As a result, the Group must continuously respond to changes in the market, ecosystems and customer preferences to remain competitive, grow its business and maintain market share in the geographical markets in which it operates. The Group faces many risks when introducing new products. Its new products may fail to be accepted by the market and may also be rendered obsolete or uneconomical by competition or developments in the insurance industry. Furthermore, even if the Group's current and anticipated product offerings respond to changing market demand, the Group may be unable to commercialise them. Moreover, new products may potentially fail to receive necessary regulatory approvals, be difficult to market on a large scale, be uneconomical to introduce, fail to achieve market acceptance or be precluded from commercialisation by proprietary rights of third parties. An inability to commercialise the Group's products would materially impair the viability of its business. Therefore, the Group's future success will depend on its ability to adapt to changing customer preferences, industry standards and new product offerings. Any of these changes may require the Group to re-evaluate its business model and adopt significant changes to its strategies and business plan. Any inability to adapt to these changes would have a material adverse effect on its business, financial condition and results of operations.

The Group relies on the data it collects throughout the insurance value chain to enhance its business performance and results, and the Group cannot assure investors that it is able to accumulate or access sufficient data in the future, the lack of which may materially and adversely affect its business and results of operations.

As a technology-driven Insuretech company, the Group highly relies on usage of its data in every step of the entire insurance value chain, including research and development of its insurance products, pricing, underwriting, risk management, claim settlement, and customer services etc. The Group develops its proprietary technologies on top of cloud computing infrastructures of third-party providers to automate and streamline the various processes in its operations, support its day-to-day business analytics and provide periodic or real-time applications in supporting its large amount of transactions and executing its strategies. The Group has made substantial investments in ensuring the effectiveness of its big data analytics that supports its rapid growth and enables it to provide efficient services to its customers. The Group cannot assure investors that it will be able to continuously collect and retain sufficient data, or improve its data technologies to satisfy its operating needs. Failure to do so will materially and adversely affect its business and results of operations.

The Group uses a cloud-based and data-driven risk management system to minimise its risks and enhance its risk management capabilities. The effectiveness of the real-time cloud computing and data analytics technology is conditioned on the accuracy and completeness of the data and information the Group collects and thereafter use in its system. In the event that any such data or information is inaccurate or incomplete, the Group faces the risk that the corresponding measures and solutions it takes based on the data and information will not be workable to address the relevant risks, or the pricing and provisions it makes based on the data and information will not be accurate or reliable in estimating its profit, and its overall risk management system may be rendered ineffective. Moreover, given that the Group only has a relatively short operating history in managing its data-driven system compared with traditional insurance companies, the Group may face the risk of inaccurate pricing. As a result, the Group's products may not be profitable. This in turn may lead to a higher level of risks and adversely impact the Group's reputation, business and results of operations.

Failure to protect the confidentiality of the personal data of customers on the Group's platform or the platforms of ecosystem partners, as well as failure to comply with data privacy and protection laws and regulations could negatively impact the Group's reputation or deter customers from using its platform, which could materially affect its results of operations.

A significant challenge to providing technology-based products and solutions is the secure collection, storage and transmission of confidential information. In providing the Group's products and solutions, the Group holds certain private information about its customers, such as their names, addresses, contact information and social media footprint, as well as financial and credit information. The Group also needs to provide such information to its ecosystem partners and other parties for the purpose of conducting the transactions. Customers demand complete security for such confidential information, which is essential to maintaining customer confidence. In addition, the Group is subject to various laws, regulations and rules governing the protection of the personal data and confidential information of its clients. PRC data privacy laws restrict its storage, use, processing, disclosure, transfer and protection of non-public personal information provided to the Group by its customers.

The Group relies on a network of process and software controls to protect the confidentiality of data provided to the Group or stored on its systems. The Group also relies on contracts with its partners, including its ecosystem partners and third-party service providers, to ensure their protection of the private information it provides to them. If the Group or its partners do not maintain adequate internal controls or fail to implement new or improved controls, such data could be misappropriated or confidentiality could otherwise be breached. If the Group or its partners inappropriately disclose any personal information, or if third parties are able to penetrate the Group's network security or otherwise gain access to confidential information, the Group could be subject to claims for identity theft or other similar fraud claims or claims for other misuses of personal information. While the

Group strives to protect its customers' privacy and comply with all applicable data protection laws and regulations, any failure or perceived failure to do so may result in proceedings or actions against the Group by its customers, government entities or others, and could damage its reputation and subject it to fines and damages. In addition, such events would lead to negative publicity and cause customers to lose their trust and confidence in the Group, which may result in material and adverse effects on its reputation, business, financial condition and results of operations.

As the internet insurance business continues to evolve and in light of the borderless nature of the internet, the Group believes that increased regulation by the PRC or other governments of data privacy on the internet is likely. The Group may become subject to new laws and regulations applying to the solicitation, collection, processing or use of personal or consumer information that could affect how the Group stores, process and share data with its customers, partners and third-party service providers. Compliance with any additional laws, along with the push for comprehensive data protection regulation, could be expensive, and may place restrictions on the conduct of the Group's business and the manner in which it interacts with its customers and ecosystem participants. In addition, some of the Group's ecosystem partners may require the Group to indemnify and hold them harmless from the costs or consequences of litigation resulting from using their platforms, which may adversely affect the Group's results of operations.

The Group's business is highly dependent on the proper functioning and improvement of its information technology systems and infrastructure as well as internal control system. If the Group fails to keep up with technological developments and evolving consumer demands and expectations, its business and operating results may be materially and adversely affected.

The Group operates in a market characterised by rapidly developing technologies, evolving industry standards, frequent new product and service launches and updates, and changing user demands and expectations. The continuing popularity of the Group's products and solutions and the Group's ability to further monetise depend in significant part on its ability to adapt to these rapidly changing technologies and industry standards as well as its ability to continually innovate in response to evolving user demands and expectations and intense market competition. Any failure on the Group's part to act effectively in any of these areas may materially and adversely affect its business and operating results.

Moreover, enhancing legacy technologies and incorporating new technologies into the Group's platform involves numerous technical challenges, substantial capital, human capital and significant time, and the Group may not be able to handle these challenges effectively due to numerous factors, some of which are beyond its control. The Group's failure to anticipate or successfully develop new technologies could render its business uncompetitive, and reduce its income and market share. Although the Group has been and will continue to devote significant resources to the enhancement and development of technologies, products and solutions, it may not be able to effectively develop or integrate new technologies on a timely basis or at all, which may decrease customer satisfaction. In addition, new technologies may not succeed or integrate well with the Group's products and solutions, and even if integrated, may not function as expected or may be unable to attract and retain a substantial number of customers. The Group's failure to keep pace with rapid technological changes may impact its ability to retain or attract customers or generate income, and have a material and adverse effect on its business and operating results.

The Group's risk management and internal control systems, as well as the risk management tools available to it, may not be adequate or effective in identifying or mitigating risks to which it is exposed, which could materially and adversely affect its business or results of operations.

While the Group has established risk management and internal control systems consisting of organisational framework, policies, procedures and risk management methods that it considers appropriate for its business operations, the Group has experienced failures in risk management and internal control in the past. While the Group seeks to improve and reinforce its risk management and internal control systems over time, the Group cannot assure investors that such systems will be able to identify, manage or protect it against all risks, and the Group may need more time to fully evaluate and assess the adequacy and effectiveness of these systems. The Group may need to further improve its risk management and internal control systems from time to time.

The Group implements its risk management and internal control by using a series of methods. However, as risk management and internal control methods are generally based on analysis of historical situations, and the assumption that risks in the future will share similar characteristics with those in the past, the Group cannot assure investors that such assumptions will always be valid. The Group commenced its operations in 2013, and its relatively limited historical information and operating experience compared with other traditional insurance companies may not be sufficient to adequately reflect the risks to which it is exposed. Such risks could be greater than what the Group's empirical information suggests or may not be reflected in such information at all.

The Group has significantly upgraded its information technology system in recent years to better assist in the collection, analysis and processing of information. However, there may be uncertainties, limitations or technical defects associated with the tools, software and models used by the Group to analyse, monitor and manage risks or in connection with their applications. The Group cannot assure investors that its existing information technology system will be adequate and sufficient in the future. As a result, the Group's risk management methods and techniques, which depend on the data collection and analysis capabilities of its information technology system, may not be effective in directing it to take timely and appropriate measures in risk management and internal control.

The Group's risk management and internal controls also depend on its employees for their effective implementation. Given the various business departments within the Group and their intensive collaboration in executing the Group's business plans, the Group cannot assure investors that such implementation will not involve human errors or mistakes, which may have a material adverse effect on its business, results of operations and financial condition.

As the regulation of the PRC insurance and Insuretech industries are constantly evolving and the PRC Insuretech market continues to grow, the Group is likely to offer a broader and more diverse range of Insuretech products in the future. The diversification of the Group's Insuretech product offerings will require the Group to continue to enhance its risk management capabilities. The Group's failure to adapt its risk management policies and procedures to its evolving business in a timely manner could have a material adverse effect on its business, results of operations and financial condition.

The Group may not be able to detect and prevent fraud or other misconduct committed by its employees, representatives, agents or customers.

Transactions on the Group or the Group's ecosystem partners' platforms as well as the Group's risk assessment procedures may be subject to sophisticated schemes or collusion to defraud or other illegal activities, and there is a risk that the platforms may be used for such purposes by its customers. While the Group has internal controls and procedures designed to prevent such fraud and misconduct, it may not always be able to detect or prevent such misconduct in a timely manner, and the precautions it takes to prevent these activities may not be effective in all cases. Failure to protect the Group's operations and its cooperative partners from fraudulent activities by its customers could result in reputational damage to the Group and could materially and adversely affect its results of operations.

Errors and misconduct by employees, representatives or agents could subject the Group to financial losses or regulatory sanctions and seriously harm its reputation. Errors and misconduct by employees, representatives or agents could include hiding unauthorised activities from the Group, improper or unauthorised activities on behalf of customers, improper use of confidential information or activities conducted in personal capacities unrelated to the operations of the Group. It is not always possible to prevent errors and misconduct by employees, representatives or agents, and the precautions taken by the Group to prevent and detect such activity may not be effective in all cases. If the Group's internal controls fail to prevent or promptly detect fraud or misconduct, or if any resulting loss is not insured or exceeds applicable insurance limits, this could have a material adverse effect on the Group's financial condition and results of operations and reputational damage to the Group.

The Group relies on third-party asset management companies to provide investment services.

The Group's investment activities consist of cooperating with third-party asset management companies and purchasing asset management products. As of 31 December 2019, the percentage of total investment assets managed by Ping An Asset Management Co., Ltd. and Taikang Asset Management Co., Ltd. was 53.5%. Although the asset management companies the Group cooperates with are CBIRC-recognised domestic asset management companies and are frequently used by PRC insurance companies or large institutions, the services they provide may not meet the Group's expectations. As a result, the Group may be subject to the risk of underperformance in managing its assets by such asset management companies. Although the Group attempts to minimise the risks associated with these asset management companies through sophisticated evaluation mechanisms and a portfolio of diversified investments to hedge risks and motivate their performance, the Group cannot assure investors that it will be successful in identifying all related risks and making its investment decisions appropriately. To the extent that the Group suffers significant losses due to the unsatisfied performance of these asset management companies, the Group's results of operations and financial condition would be materially and adversely affected.

As an insurance company, the Group is subject to CBIRC's regulations on the types of products that it is allowed to invest in, which may limit its ability to diversify its investment portfolio.

The investment channels available to PRC insurance companies are subject to CBIRC's supervision and regulation, enabling the Group to invest in only the following limited types of products subject to approval by CBIRC: (i) government, financial and corporate bonds, (ii) securities investment funds, (iii) preferred shares, (iv) term deposits, (v) venture capital investment funds, (vi) RMB-denominated stocks listed on PRC stock exchanges, (vii) equities of unlisted companies or equity investment funds, (viii) real estate, (ix) financial products, such as financial products of commercial banks, credit asset-backed securities of banking financial institutions, collective fund trust plans of trust companies, special asset management plans of securities companies, infrastructure investment plans of insurance asset management companies, real estate investment plans and project asset support plans; (x) financial derivatives; and (xi) overseas investments. Although the PRC regulatory authorities, including CBIRC, have significantly expanded the asset classes in which PRC insurance companies are permitted to invest in recent years, the asset classes remain limited, as compared to those available to many international insurance companies. Even with the broadened investment types, the Group's ability to diversify its investment portfolio continues to be limited by the restrictions on the amount and percentage that it can invest in some of these assets classes, such as stocks listed on PRC stock exchanges and securities investment funds. Substantially all of the Group's investments are solely concentrated in certain permitted assets classes. In addition, each type of product that the Group invests in possesses its own risks. By complying with the requirements and regulations of CBIRC, the Group is exposed to specific risks of certain products that cannot be hedged among its investment portfolio given the limited types of products that it is allowed to invest in. As a result, the Group's limited ability to diversify its investments may have a material adverse effect on its business, results of operations and financial condition.

If the third-party service providers in the Group's ecosystem fail to provide secure, reliable and satisfactory services, or if the Group fails to maintain or expand its relationship with such service providers, the Group's business, financial condition and results of operations may be materially and adversely affected.

The Group engages certain business process outsourcing companies and human resource on-site service providers to cover its customer inquiries, complaints and related services. Although the Group does not have heavy reliance on such third-party service providers, to the extent such third-party service providers in its ecosystem fail to provide secure, reliable, cost-effective and satisfactory services to the Group and its customers, the Group may experience disruptions to its business operations, and its ability to attract customers may be severely harmed. If any of these third-party service providers stop offering their services on the Group's platform, the Group may not be able to find alternative third-party service providers willing to provide similar services on commercially reasonable terms in a timely manner or at all. Furthermore, the Group may fail to establish and maintain additional third party relationships necessary to support the growth of its business on economically viable terms, or at all. Any interruption to or discontinuation of the Group's cooperative relationship with key third-party service providers may severely and negatively impact its ability to serve its customers, and any occurrence of the circumstances mentioned above may have a material and adverse effect on the Group's business, financial condition and results of operations.

The Group may be subject to intellectual property infringement claims or other allegations by third parties, which may materially and adversely affect its business, operating results and prospects.

The Group believes that its brand name, copyrights, trademarks and other intellectual property are essential to its success. The Group depends to a large extent on its ability to develop and maintain the intellectual property rights relating to its technology and online platforms. The Group has devoted considerable time and energy to the development and improvement of its brand name, websites, mobile apps ("**Apps**") and its online platforms. The Group cannot be certain that third parties will not claim that its business infringes upon or otherwise violates patents, copyrights or other intellectual property rights that they hold. Companies in the internet and technology sectors are frequently involved in litigation related to allegations of infringement of intellectual property rights, unfair competition, invasion of privacy, defamation and other violations of other parties' rights. The validity, enforceability and scope of protection of intellectual property rights in internet-related industries, particularly in China, are still evolving. The Group may face allegations that it has infringed the trademarks, copyrights, patents and other intellectual property rights of third parties, including its competitors, or allegations that it is involved in passing off or unfair trade practices.

If any claim or litigation is raised against the Group in the future, the Group cannot assure investors that it can defend against such claims successfully. In addition, defending against intellectual property claims is costly and can impose a significant burden on the Group's management and resources, and favourable final outcomes may not be obtained in all cases. Such claims, even if they do not result in actual liability, may harm the Group's reputation. Any resulting liability or expenses, or changes required to the Group's products and solutions to reduce the risk of future liability, may have a material adverse effect on its business, results of operations and prospects.

The Group's inability to use software licensed from third parties, including open source software, could negatively affect the Group's ability to sell its solutions and subject it to possible litigation.

The Group's technology platform incorporates software licensed from third parties, including open source software, which the Group has been authorised to use. The terms of many open source licences to which the Group is subject have not been interpreted by courts, and there is a risk that such licences could be construed in a manner that imposes unanticipated conditions or restrictions on the Group's ability to provide its solutions to its customers. In addition, the terms of open source software licences may require the Group to provide software that it develops using such software to others on unfavourable licence terms. For example, certain open source licences may require the Group to offer the components of its platform that incorporate the open source software for free, to make available source code for modifications or derivative works it creates based upon, incorporating or using the open source software, and to license such modifications or derivative works under the terms of the particular open source licence.

In the future, the Group could be required to seek licences from third parties in order to continue to use its platform, in which case licences may not be available on terms that are acceptable to the Group, or at all. Alternatively, the Group may need to re-engineer its platform or discontinue the use of portions of the functionality provided by its platform. The Group's inability to use third-party software could result in disruptions to its business, or delays in the development of future offerings or enhancements of its existing platform, which could materially and adversely affect its business and results of operations.

Not all of the Group's proprietary technologies are protected by intellectual property rights registered with the relevant governmental authorities in China. If the Group fails to protect its intellectual property rights or prevent the loss or misappropriation of its intellectual property rights, the Group may lose its competitive edge and its brand, reputation and operations may be materially and adversely affected.

The Group protects its intellectual property rights through a combination of patent, copyright, trademark and other intellectual property laws as well as confidentiality and licence agreements with its employees, suppliers, partners and others. However, as at the date of this Offering Circular, not all of proprietary technologies are protected by intellectual property rights registered with the relevant competent governmental authorities in China. Due to the lack of registered intellectual property rights over these unprotected technologies, third parties may obtain and use intellectual property that the Group owns over these technologies, which may harm the Group's business and adversely affect the results of the Group's operations.

Unauthorised use of any of the Group's intellectual properties may adversely affect its business and reputation. Nevertheless, third parties may obtain and use the Group's intellectual property without due authorisation. As such, the Group may also need to resort to litigation or other legal proceedings to enforce its intellectual property rights. Any such action, litigation or other legal proceedings could result in substantial costs and diversion of the Group's management's attention and resources and could disrupt its business. In addition, there is no assurance that the Group will be able to enforce its intellectual property rights effectively or otherwise prevent others from the unauthorised use of its intellectual property. Failure to adequately protect the Group's intellectual property could materially and adversely affect its brand name and reputation, and its business, financial condition and results of operations.

If the Group is deemed by overseas jurisdictions to be conducting insurance business, it may need to obtain licences for its business operation and insurance products in that jurisdiction.

Each of the Company's insurance products is based on product terms approved by CBIRC and the terms and conditions of the Company's insurance policies are all governed by the laws of the PRC. In addition, ZA Life Limited, an Insuretech joint venture of ZhongAn Technologies International Group Limited and Fubon Life Hong Kong, received Hong Kong Insurance Authority's authorisation to conduct online insurance business in Hong Kong on 4 May 2020. Other than that, as the Group's insurance business is operated within the PRC and its insurance products are mainly targeted at customers located in the PRC, the Group believes it does not need, and has not applied for, insurance licences in any jurisdictions other than the PRC and Hong Kong. However, in light of the borderless nature of the internet, there are uncertainties in the interpretation, application and enforcement of the licensing requirements with respect to companies in various jurisdictions. The Group cannot guarantee that it will not be required to obtain licences for its business operation and insurance products in jurisdictions other than the PRC and Hong Kong. If the Group fails to obtain and maintain any licences and approvals where required or otherwise fail to comply with applicable laws, rules and regulations in jurisdictions other than the PRC and Hong Kong where required, or if new laws, rules or regulations come into effect that require the Group to obtain additional licences, the Group may be subject to fines, injunctive orders and other penalties, as well as adverse reputational risk. In addition, licence requirements in multiple jurisdictions could result in additional compliance obligations and increased costs, or place restrictions on its current or future business.

The Group depends on its directors, key management and actuarial, information technology, underwriting, sales and other personnel, and the Group's business, financial condition and growth prospects may be severely disrupted if it loses their services or is unable to attract new employees to replace these key personnel.

The successful execution of the Group's business plans depends to a large extent on its ability to attract and retain key personnel who have an in-depth understanding of the Insuretech industry in China as well as its business model and strategies. Those key personnel include members of the Group's directors and senior management as well as qualified underwriting personnel, actuaries, information technology specialists, experienced investment managers, sales staff and other personnel. As a result of the increase in the number of Insuretech companies in China and other internet financial service companies and the rapid expansion of their business operation, the market demand and competition for talented management personnel and technical staff has intensified. The Group cannot assure investors that it will be able to attract and retain qualified key personnel or that they will not retire or leave the Group in the future. The loss of the services of the Group's directors, senior management and other key personnel and the Group's failure to adequately and timely replace them could have a material adverse effect on its business, results of operations and financial condition.

Adverse market conditions could limit the Group's access to liquidity and increase the cost of capital. Failure to manage the Group's liquidity and cash flows may materially and adversely affect its financial condition and results of operations.

The Group's ability to access liquidity may be limited to its future financial performance as well as a number of factors outside of its control, such as government regulatory changes, general market conditions for capital raising activities, the availability of bank liquidity in general and the economic and political environment in and outside of China. If these sources of funding are not available to the Group on a regular basis, on reasonable term, or at all, the Group may be required to reduce or suspend its business activities. In the event that the Group has to downsize its operating scale due to lack of cash flows, the Group's financial condition, results of operations and liquidity position would be materially and adversely affected.

Regulatory actions, legal proceedings and customer complaints against the Group could harm its reputation and have a material adverse effect on its business, results of operations, financial condition and prospects.

The Group was involved in litigations and other disputes in the ordinary course of its business, which include lawsuits, arbitration, regulatory proceedings and other disputes relating to the sales and claims of insurance products and customer services carried out by its employees and third-party partners. Along with growth and expansion of the Group's business, the Group may be involved in litigations, regulatory proceedings and other disputes arising outside the ordinary course of its business. Such litigations and disputes may result in claims for actual damages, freezing of the Group's assets and diversion of the Group's management's attention, as well as legal proceedings against the Group's Directors, officers or employees, and the probability and amount of liability, if any, may remain unknown for long periods of time. Given the uncertainty, complexity and scope of many of these litigation matters, their outcome generally cannot be predicted with any reasonable degree of certainty. Therefore, the Group's reserves for such matters may be inadequate. As a result, any unfavourable final resolution of pending litigation matters, including substantial liabilities arising from lawsuit judgments, could have a material adverse effect on the Group's business, results of operations and financial condition. Moreover, even if the Group eventually prevails in these matters, it could incur significant legal fees or suffer significant reputational harm, which could have a material adverse effect on its prospects and future growth, including its ability to attract new customers, retain current customers, expand its partnership with existing or new business partners and recruit and retain employees and agents. In addition, the Group has been operating in an emerging industry where customers' preferences are constantly evolving, and it may be difficult to predict consumer behaviour and reaction towards the Group's products. As such, the Group may face customer complaints from time to time, which may adversely affect the Group's business operations and financial condition.

RISKS RELATING TO THE GROUP'S INDUSTRY

The Insuretech industry is emerging and rapidly evolving driven by disruptive technologies that may not be successful in the future.

The Insuretech industry in China is a relatively new and rapidly evolving industry characterised by frequent changes in market demand and evolving industry practices. Insuretech is reshaping the traditional insurance market with extensive use of advanced technologies in the insurance sector, enabling new insurance products, services and processes. The Group adopts advanced technologies and an innovative business model in the Insuretech industry in China, and is still undergoing the revolutionary stage with uncertainties that are difficult to predict.

The Group's online-centric approach for selling its insurance products and its technology components applied to serve the needs of customers in their daily lives are disruptive and may not have been well acknowledged by customers and business players in China. As a result, the Group faces pressure in converting customers who believe in traditional insurance as reliable protection. For new customers who have purchased the Group's products through either its ecosystem partners' platforms or its own proprietary platforms, the Group cannot assure investors that it is able to accurately predict those customers' preferences so that the Group can adjust its service and strategies to maintain those customers, and whether they will opt in traditional insurance products versus its products and solutions in the future.

The Group's future results of operations will depend on numerous factors affecting the development of the Insuretech industry in China, which may be beyond its control. These factors include but are not limited to:

- the growth of internet, personal computer and mobile penetration and usage in China, and the rate of any such growth;
- the trust and confidence level of online ecosystem customers in China, as well as changes in customer demographics and consumer tastes and preferences;
- the selection, price and popularity of insurance products that the Group and its competitors offer online;
- whether alternative distribution channels or business models that better address the needs of consumers emerge in China;
- the development of fulfilment, payment and other ancillary services associated with the internet insurance business;
- the increasing digital transformation and technology improvement by traditional insurance companies and financial institutions; and
- the growth in internet platform systems established by internet companies.

A decline in the popularity of online activities in general, or any failure by the Group to adapt the distribution channels, including its website, and improve the online experience of its customers in response to trends and consumer requirements, may adversely affect the rate of growth of the Insuretech market and thus affect the Group's performance and business prospects as a key player in such market.

If the Group cannot effectively respond to the increasing competition in the PRC Insuretech industry, the Group's profitability and market share could be materially and adversely affected.

The Group's businesses operate in the highly competitive Insuretech industry. The Group believes that its future success will depend in part on its ability to continue to uncover market needs and to offer related products and services that meet the evolving customer preference on a timely and cost-effective basis. The Group may not always be able to successfully identify new market needs and develop and introduce new products and solutions to its ecosystem partners and customers in a timely and cost-effective manner, which could have a material and adverse effect on its business and results of operations.

The Group faces intense competition from both domestic and foreign insurance companies. Its primary competitors are domestic traditional insurance companies. With the gradual opening up of the PRC insurance market, the Group also faces increasing competition from foreign-invested insurance companies. Some of its competitors may have advantages over it in one or more areas, such as financial strength, management capabilities, brand recognition, operating experience, market share, distribution channels and capabilities in pricing, underwriting and claim settlement. The Group may also face competition from both traditional insurance companies and internet companies in the technology export business.

The Group's competitiveness depends on a number of factors, including but not limited to its:

- brand name and reputation;
- product mix and features;
- scope of distribution and cooperative arrangements;
- quality of service;
- risk management and internal control;
- pricing techniques and price;
- investment performance and perceived financial strength;
- claim settlement ability; and
- ability to innovate.

A decline in the Group's competitive position as to one or more of these factors may materially and adversely affect its results of operations, financial condition and business prospects, including reducing its market share, losing its existing customers, impairing its ability to attract new customers and decreasing its profitability.

Government regulations, measures and policies in response to Insuretech and internet financial service businesses may materially and adversely affect the Group's business.

Due to the relatively short history of the Insuretech and internet financial service industries, the PRC government has not adopted a clear regulatory framework to regulate these industries. As the first Chinese internet insurance Group that is permitted by Chinese law and the relevant regulatory authority to engage in internet insurance business in China, the Group's internet insurance licence was granted on a special approval basis instead of a regular approval basis under the framework of the existing laws. Therefore, the Group cannot assure investors that the PRC regulatory authority will not revoke such special approval or grant such special approval to a large number of companies in the near future, the occurrence of either of which may have a material adverse impact on the Group's business, financial condition and prospects.

Currently, the Group does not need additional licences or permits to operate its existing business in property and casualty insurance. However, new applicable laws and regulations and new interpretation to the existing laws and regulations may be adopted from time to time to address new issues that arise, and additional licences and permits may be required as the relevant government authorities issue and implement additional regulations with respect to these industries. As a result, the Group faces uncertainties regarding the evolution of the regulatory system and the interpretation and implementation of the current and any future PRC laws and regulations applicable to its business. The Group cannot guarantee that its current practice and operations will not be challenged by any relevant authorities if they interpret any current laws or regulations in a different way or change their policies so as to conflict with the ones it is complying with now. Also, if any new PRC regulations promulgated in the future require the Group to obtain additional licences or permits in order to continue to conduct its business operations, the Group cannot guarantee investors that it will immediately meet all the new requirements of such new regulations in order to obtain such licences or permits in a timely fashion. The occurrence of any circumstance described above may materially and adversely affect the Group's business, financial condition and prospects.

Moreover, the Group is subject to regulatory requirements under Hong Kong law and the supervision of the Hong Kong Monetary Authority and Hong Kong Insurance Authority in operating its virtual bank business and online insurance business in Hong Kong, respectively. In particular, virtual banks in Hong Kong are required to maintain adequate capital commensurate with the nature of their operations and the banking risks they are undertaking, and are subject to the same set of supervisory requirements applicable to conventional banks. Online insurance companies in Hong Kong are required to meet relevant solvency, capital and local asset requirements, maintain policyholder protection measures, comply with restrictions on products that can be sold online, and ensure that shareholder controllers have adequate insurance experience. In complying with these requirements, the Group may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors, which may materially and adversely affect the Group's financial condition.

The Group's businesses are subject to regulation and administration by CBIRC, and failure to comply with any applicable regulations and rules by the Group or its ecosystem partners could result in financial losses or harm to the Group's business. Change in laws and regulations may reduce the Group's profitability and limit its growth.

The Group is subject to the PRC Insurance Law and related rules and regulations. The Group's businesses in property and casualty insurance and other insurance areas are extensively regulated by CBIRC, which has been given wide discretion in its administration of these laws, rules and regulations as well as the power to promulgate new regulations and the authority to impose regulatory sanctions on the Group. Under the amendments to the PRC Insurance Law promulgated in 2015, CBIRC (previously known as CIRC) has been granted greater regulatory oversight over the PRC insurance industry, in part to afford policyholders more protection.

The Group is required to obtain applicable licences, permits and approvals from different PRC regulatory authorities in order to conduct its business. Over the past several years, various governmental authorities in the PRC have issued regulations on specific aspects of the insurance business and internet content and services. Certain regulations require operators to obtain licences, permits or approvals that were not required previously. There can be no assurance that the government authorities will not continue to issue new regulations governing the internet or the insurance industry that will require the Group to obtain additional licences, permits or approvals in order to operate its existing business or will prohibit the Group from engaging in those types of business to which the new requirements will apply. Among other things, new regulations or new interpretations of existing regulations could increase the Group's costs of doing business and prevent it from efficiently delivering services and products over the internet.

The terms and premium rates of the Group's insurance products are subject to regulations. Changes in these regulations may affect the Group's profitability on the products the Group sells. In addition, the evolving regulations promulgated by CBIRC and new laws and rules in this industry may limit the Group's innovative initiatives on product development and design, the lack of which will affect the Group's growth and development as the Group aims to achieve. For example, the Group stopped selling investment-linked insurance products in January 2017 in accordance with a new CBIRC regulation. The Group may become subject to administrative proceedings regarding its insurance products and related pricing practices along with the expansion of such business.

Failure to comply with any of the laws, rules and regulations to which the Group is subject could result in fines, restrictions on business expansion or, in extreme cases, the revocation of a business licence, which could materially and adversely affect the Group. As some of the laws, rules and regulations that the Group is subject to are relatively new, there is uncertainty regarding their interpretation and application. In addition, the laws, rules and regulations under which the Group is regulated may change from time to time. The Group cannot assure investors that future legislative or regulatory changes, including deregulation, would not have a material adverse effect on its business, results of operations and financial condition.

Examinations and investigations by the PRC regulatory authorities may result in fines and/or other penalties that may have a material adverse effect on the Group's reputation, business, results of operations and financial condition.

As a participant in the insurance industry, the Group is subject to periodic or ad hoc examinations and investigations by PRC regulatory authorities in respect of its compliance with PRC laws and regulations, which may impose fines and/or other penalties on the Group. From time to time, CBIRC carries out comprehensive evaluations and inspections of the internal control and financial and operational compliance of PRC insurance companies in China. In 2017, the Group was subject to a total of RMB200,000 worth of fines, whereas it has not been subject to any fines or penalties in 2018 and 2019. In January 2017, the Group received an administrative penalty which imposed a fine of RMB200,000 with regard to its operations in the auto insurance business relating to inappropriate rebate to customers. In addition, in 2018 and 2019, the Group received several regulatory letters from CBIRC or its relevant local branch, pursuant to which the Group was required to explain or rectify some of its operations. The Group has proceeded to rectify its business operations pursuant to these regulatory letters and has kept CBIRC or its relevant local branch updated on the Group's compliance with their requirements. However, the Group cannot assure investors that these rectifications will fully satisfy CBIRC's requirements in light of any new rules that may come into force in the future.

The issuance of new accounting standards or future interpretations of existing accounting standards could adversely affect the Group's operating results.

The Group prepares its financial statements in accordance with HKFRS. New accounting standards, amendments and interpretation applicable to the Group could have a significant effect on its reported results and might affect its reporting of transactions completed before a change is announced. The issuance of new accounting standards or future interpretations of existing accounting standards, or changes in its business practices or estimates, could result in future changes in its revenue recognition or other accounting policies that could have a material adverse effect on its results of operations. For example, HKFRS 17 was issued in May 2017 as replacement for HKFRS 4 Insurance Contracts. This new rule is expected to impact the Group's accounting policies related to revenue recognition, insurance contract liabilities provision and expense amortisation and deferral, thus impacting the Group's statements of comprehensive income and financial position. Insurers are also required to disclose information about amounts, judgements and risks arising from insurance contracts. Insurance contracts revenue on the statement of comprehensive income, which is a key performance indicator, will include different components compared with its current composition. As a result, the Group may need to implement system changes to capture such different components and other information required to be presented in accordance with HKFRS 17, which may incur additional costs. In addition, when the new rule is adopted and before investors become familiar with the changes, it may be difficult for investors to evaluate the Group's financial results or compare them with the Group's past results. See Note 2.1 to the Accountant's Report on F-11 in this Offering Circular.

Adverse change in the reinsurance markets or a default by the Group's reinsurers could materially and adversely affect the Group's results of operations and financial condition.

The Group's ability to obtain external reinsurance on a timely basis and at reasonable terms is subject to a number of factors, many of which are beyond the Group's control. If the Group is unable to renew any expiring external coverage or obtain acceptable new external reinsurance coverage, its net risk exposure could increase or, if the Group is unwilling to bear an increase in net risk exposure, its overall underwriting capacity and the amount of risk it is able to underwrite could decrease. To the extent that the Group is unable to utilise external reinsurance successfully, its business, financial condition and results of operations may be materially and adversely affected.

In addition, although a reinsurer would be liable to the Group for the risk transferred pursuant to a reinsurance arrangement, such an arrangement does not discharge its primary liability to its policyholders. As a result, the Group is exposed to credit risk with respect to reinsurers for the business sessions that involve reinsurance. In particular, a default by one or more of the Group's reinsurers under the Group's reinsurance arrangements would increase the financial losses arising out of a risk the Group has insured, which would reduce the Group's profitability and may have a material adverse effect on its liquidity position. The Group cannot assure investors that its reinsurers will always be able to meet their obligations under its reinsurance arrangements on a timely basis, if at all.

Catastrophic events that are covered by the Group's insurance products could materially increase the Group's liabilities for claims by policyholders and affect its insurance capacity.

The Group is exposed to risks of unpredictable liabilities for insurance claim payments arising out of catastrophic events, which are unpredictable by nature. The frequency and severity of catastrophes are unpredictable. Catastrophes can be caused by various natural hazards, including hurricanes, typhoons, floods, earthquakes, severe weather and fires. Catastrophes can also be man-made, such as terrorist attacks, wars, nuclear explosions and nuclear radiation. In addition, the Group's business could be affected by public health epidemics, such as the outbreak of avian influenza, severe acute respiratory syndrome (SARS), Zika virus, Ebola virus, novel coronavirus (COVID-19) or any other disease. Catastrophes could also result in losses in the Group's investment portfolios due to, among other things, the failure of the Group's counterparties to perform, or significant volatility or disruption in the financial markets, which could in turn have a material adverse effect on the Group's business, results of operations and financial condition.

RISKS RELATING TO THE PRC

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

The economy of the PRC experienced rapid growth in the past 30 years. There has been a slowdown in the growth of the PRC's GDP since the second half of 2013, and this has raised market concerns that the historic rapid growth of the economy of the PRC may not be sustainable. In March 2016, Moody's and S&P changed China's credit rating outlook to "negative" from "stable", which highlighted the country's surging debt burden and questioned the government's ability to enact reforms. On 24 May 2017, Moody's downgraded China's long-term local currency and foreign currency issuer ratings to A1 from Aa3, and changed the outlook to "stable" from "negative". On 21 September 2017, S&P's rating services downgraded China's credit rating by one notch from AA- to A+. These highlight the country's surging debt burden and raise questions about the government's ability to enact reforms.

The future performance of China's economy is not only affected by the economic and monetary policies of the PRC Government, but it is also exposed to material changes in global economic and political environments, as well as the performance of certain major developed economies in the world, such as the United States, the United Kingdom and the European Union. For example, there is substantial uncertainty relating to the impact of the ongoing trade dispute between the PRC and the United States on the economic conditions of other parts of the world, such as China, including, but not limited to, further decreases in global stock exchange indices, increased foreign exchange volatility and a possible economic recession involving more countries and areas. Therefore, there exists continued uncertainty for the overall prospects of the global and the PRC economies this year and beyond.

Changes in the economic, political and social conditions in the PRC and government policies adopted by the PRC Government could affect the Group's business and prospects.

The Group's core business is conducted in the PRC and most of its operations are located in the PRC. Accordingly, the Group's results of operations and prospects are subject, to a significant degree, to economic, political, and social conditions in the PRC. The economy of the PRC differs from the economies of most developed countries in many respects, including government involvement, level of development, economic growth rate, control of foreign exchange and allocation of resources. The economy of the PRC has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC Government has implemented a series of measures emphasising market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises.

However, a large portion of productive assets in the PRC remain owned by the PRC Government. The PRC Government continues to play a significant role in regulating industrial development, the allocation of resources, production, pricing and management, and there can be no assurance that the PRC Government will continue to pursue the economic reforms, or that any such reforms will not have an adverse effect on the Group's business.

The Group's operations and financial results could also be affected by changes in political, economic and social conditions or the relevant policies of the PRC Government, such as changes in laws and regulations (or the interpretation thereof). In addition, the growth of development in the economic and technology development zones and infrastructure construction demand in the PRC depends heavily on economic growth. If the PRC's economic growth slows down, or if the economy of the PRC experiences a recession, the growth of development in Chinese economic and technology development zones and infrastructure construction demand may also slow down, and the Group's business prospects may be materially and adversely affected. The Group's operations and financial results, as well as its ability to satisfy its obligations under the Notes, could also be materially and adversely affected by changes to, or introduction of measures to control changes, in the rate or method of taxation and the imposition of additional restrictions on currency conversion.

Uncertainty with respect to the PRC legal system could affect the Group.

The Group's core business is conducted in the PRC and most of its operations are located in the PRC, hence its business operations are regulated primarily by PRC laws and regulations. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, past court judgments in the PRC have limited precedential value and may be cited only for reference. Furthermore, PRC written statutes often require detailed interpretations by courts and enforcement bodies for their application and enforcement. Since 1979, the PRC Government has been committed to developing and refining its legal system and has achieved significant progress in the development of its laws and regulations governing business and commercial matters, such as in foreign investment, Group organisation and management, commercial transactions, tax and trade. However, China has not developed a fully integrated legal system, and the recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC. In particular, as these laws and regulations are still evolving, in view of how the PRC's financial industry is still developing, and because of the limited number and non-binding nature of published cases, there exist uncertainties about their interpretation and enforcement, and such uncertainties may have a negative impact on the Group's business.

In addition, the PRC legal system is based, in part, on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, the Group may not be aware of the Group's violation of these policies and rules until sometime after the violation. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management's attention.

Furthermore, the administration of PRC laws and regulations may be subject to a certain degree of discretion by the executive authorities. This has resulted in the outcome of dispute resolutions not being as consistent or predictable compared to other more developed jurisdictions. In addition, it may be difficult to obtain a swift and equitable enforcement of laws in the PRC, or the enforcement of judgments by a court of another jurisdiction. These uncertainties relating to the interpretation and implementation of PRC laws and regulations may adversely affect the legal protections and remedies that are available to the Group in its operations and to Noteholders.

As a result of these uncertainties with respect to the PRC legal system, lack of uniform interpretation and effective enforcement, the Group may be subject to uncertainties in its operations. These uncertainties can also affect the legal remedies and protections available to investors, and can adversely affect the value of their investment.

Investors may experience difficulties in effecting service of legal process and enforcing judgments against the Issuer and the Issuer's management.

The Issuer and a number of the Issuer's subsidiaries are incorporated in the PRC. A substantial portion of the Issuer's assets are located in the PRC. In addition, most of the Issuer's directors, supervisors and executive officers reside within the PRC so the assets of the Group's directors and officers may be located within the PRC. As a result, it may not be possible to effect service of process outside the PRC upon most of the Issuer's directors, supervisors and senior management, including for matters arising under applicable securities law. A judgment of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with the PRC or if judgments of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requirements. However, the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with many countries, including but not limited to Japan, the United States and the United Kingdom. Therefore, it may be difficult for investors to enforce any judgments obtained from foreign courts against the Issuer, any of its directors, supervisors or senior management in the PRC.

There can be no assurance of the accuracy or comparability of facts and statistics contained in this Offering Circular with respect to the PRC, its economy or the relevant industry.

Facts, forecasts and other statistics in this Offering Circular relating to the PRC, its economy or the relevant industry in which the Group operates have been directly or indirectly derived from official government publications and certain other public industry sources and, although the Group believes such facts and statistics are accurate and reliable, it cannot guarantee the quality or the reliability of such source materials. They have not been prepared or independently verified by the Issuer, the Trustee or the Agents or any person who controls any of them or any of their respective affiliates, employees, directors, officers, agents, advisers or representatives, and, therefore, none of the Issuer, the Trustee, the Agents or any person who controls any of them or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers makes any representation as to the completeness, accuracy or fairness of such facts or other statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be incomplete, inaccurate or unfair or may not be comparable to statistics produced for other economies or the same or similar industries in other countries and should not be unduly relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such facts or other statistics.

Government control of currency conversion may adversely affect the value of Noteholders' investments.

Most of the Group's revenue is denominated in Renminbi, which is also its reporting currency. Renminbi is not a freely convertible currency. A portion of the Group's cash may be required to be converted into other currencies, particularly U.S. dollars, in order to meet its foreign currency needs, including cash payments on declared dividends, if any, on its Notes. Currently, the Renminbi still cannot be freely exchanged into any foreign currencies, and exchange and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that, under a certain exchange rate, the Group will have sufficient foreign currencies to meet its demand for foreign currencies. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by the Group does not require prior approval from SAFE, but the Group is required to present documentary evidence of such transactions, and conduct such transactions at designated foreign exchange banks within the PRC that have the licences to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by the Group, however, must be approved in advance by SAFE. If the Group fails to obtain approval from SAFE to exchange Renminbi into any foreign currencies for any purposes, the Group's capital expenditure plans, and even the Group's businesses, operating results and financial condition, may be materially and adversely affected.

RISKS RELATING TO THE NOTES

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

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

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

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;

- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible economic scenarios, such as interest rate and other factors which may affect its investment and the ability to bear the applicable risks.

An active trading market for the Notes may not develop.

The Notes are a new issue of securities for which there is currently no trading market. Although an application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Notes on the Hong Kong Stock Exchange, no assurance can be given that such application will be approved, or even if the Notes become so listed, an active trading market for the Notes will develop or be sustained. No assurance can be given as to the ability of holders to sell their Notes or the price at which holders will be able to sell their Notes or that a liquid market will develop. The liquidity of the Notes will be adversely affected if the Notes are held or allocated to limited investors. None of the Joint Lead Managers is obligated to make a market in the Notes, and if the Joint Lead Managers do so, they may discontinue such market making activity at any time at their sole discretion. In addition, the Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, holders will only be able to resell their Notes in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act.

The Notes are unsecured obligations.

As the Notes are unsecured obligations of the Group, the repayment of the Notes may be compromised if:

- the Group enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;

- there is a default in payment under the Group's secured indebtedness or other unsecured indebtedness; or

- there is an acceleration of any of the Group's indebtedness.

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

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

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

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

The price and trading volume of the Notes may be highly volatile. Factors such as variations in the Group's turnover, earnings and cash flows, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price for comparable companies, changes in government regulations and changes in general economic conditions nationally or internationally could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the trading volume and price of the Notes. There is no assurance that these developments will not occur in the future.

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

The market price of the Notes may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Notes is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issues in other countries, including the PRC. Since the global financial crisis in 2008 and 2009, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Notes could be adversely affected.

The Group may be unable to redeem the Notes.

On certain dates, including but not limited to the occurrence of the No Registration Event (as defined in the Terms and Conditions), the Issuer may, and at maturity will, be required to redeem all of the Notes. If such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Notes in time, or on acceptable terms, or at all. The ability to redeem the Notes in such event may also be limited by the terms of other debt instruments. Failure to redeem the Notes by the Issuer, in such circumstances, would constitute an Event of Default under the Notes, which may also constitute a default under the terms of other indebtedness of the Issuer or its subsidiaries.

The Notes will be structurally subordinated to the existing and future indebtedness and other liabilities of the Issuer existing and future subsidiaries and effectively subordinated to the Issuer's secured debt to the extent of the value of the collateral securing such indebtedness.

The Notes will not be guaranteed by any of the Issuer's subsidiaries, and the Issuer may not have direct access to the assets of such subsidiaries unless these assets are transferred by dividend or otherwise to the Issuer. The ability of such subsidiaries to pay dividends or otherwise transfer assets to the Issuer is subject to various restrictions under applicable laws. The Issuer's subsidiaries are separate legal entities that have no obligation to pay any amounts due under the Notes or make any funds available therefor, whether by dividends, loans or other payments. The Issuer's right to receive assets of any of the Issuer's subsidiaries, respectively, upon that subsidiary's liquidation or reorganisation will be effectively subordinated to the claim of that subsidiary's creditors (except to the extent that the Issuer is a creditor of that subsidiary). Consequently, the Notes will be effectively subordinated to all liabilities, including trade payables and lease obligations, of any of the Issuer's subsidiaries, other than the Issuer, and any subsidiaries that the Issuer may in the future acquire or establish.

The Notes are the Issuer's unsecured obligations and will (i) rank equally in right of payment with all the Issuer's other present and future unsubordinated and unsecured indebtedness; (ii) be effectively subordinated to all of the Issuer's present and future secured indebtedness to the extent of the value of the collateral securing such obligations; and (iii) be senior to all of the Issuer's present and future subordinated obligations. As a result, claims of secured lenders, whether senior or junior, with respect to assets securing their loans will be prior with respect to those assets. In the event of the Issuer's bankruptcy, insolvency, liquidation, reorganisation, dissolution or other winding up, or upon any acceleration of the Notes, these assets will be available to pay obligations on the Notes only after all other debt secured by these assets has been repaid in full. Any remaining assets will be available to the Noteholders rateably with all of the Issuer's other unsecured and unsubordinated creditors, including trade creditors. If there are not sufficient assets remaining to pay all these creditors, then all or a portion of the Notes then outstanding would remain unpaid.

The insolvency laws of the PRC may differ from those of another jurisdiction with which the holders of the Notes are familiar.

The Issuer is incorporated under the laws of the PRC. Any bankruptcy proceeding relating to the Issuer would likely involve PRC bankruptcy laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Notes are familiar.

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

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

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

The Terms and Conditions and the transaction documents are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken. Under the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排), judgments of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of Hong Kong courts.

However, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC or meets other circumstances specified by the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned. While it is expected that the PRC courts will recognise and enforce a judgment given by Hong Kong courts in respect of a dispute governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area. Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the holders of the Notes will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the holder's ability to initiate a claim outside of Hong Kong will be limited.

Modifications and waivers may be made in respect of the Terms and Conditions, the Trust Deed and/or the Agency Agreement by the Trustee or less than all of the holders of the Notes, and decisions may be made on behalf of all holders of the Notes that may be adverse to the interests of individual holders of the Notes.

The Terms and Conditions contain provisions for calling meetings of the holders of the Notes to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including those Noteholders who did not attend and vote at the relevant meeting and those Noteholders who voted in a manner contrary to the majority. There is a risk that the decision of the majority of holders of the Notes may be adverse to the interests of individual holders of the Notes.

The Terms and Conditions also provide that the Trustee may, without the consent of the holders of the Notes, agree (i) to any modification of the Trust Deed, the Terms and Conditions and/or the Agency Agreement (other than in respect of a reserved matter) which in the opinion of the Trustee will not be materially prejudicial to the interests of the holders of the Notes and (ii) to any modification of the Notes, the Trust Deed and/or the Agency Agreement which is of a formal, minor or technical nature or is to correct a manifest error or to comply with any mandatory provision of applicable law.

In addition, the Trustee may, without the consent of the holders of the Notes, authorise or waive any proposed breach or breach of the Notes, the Trust Deed or the Agency Agreement (other than a proposed breach, or a breach relating to the subject of certain reserved matters) if, in the opinion of the Trustee, the interests of the holders of the Notes will not be materially prejudiced thereby.

The Trustee may request holders of the Notes to provide an indemnity and/or security and/or pre-funding to its satisfaction.

Where the Trustee is under the provisions of the Trust Deed bound to act at the request or direction of the Noteholders, the Trustee shall nevertheless not be so bound unless first indemnified and/or provided with security and/or pre-funded to its satisfaction against all actions, proceedings, claims and demands to which it may render itself liable and all costs, charges, damages, expenses and liabilities which it may incur by so doing. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when any steps and/or actions can be taken and/or any proceedings can be initiated. The Trustee may not be able to take steps and/or actions and/or initiate proceedings, notwithstanding the provision of an indemnity and/or security and/or pre-funding, in breach of the terms of the Trust Deed or the Terms and Conditions and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable law, it will be for the holders of the Notes to take such steps and/or actions and/or initiate such proceedings directly.

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

The Notes will initially be represented by a Global Note Certificate. Such Global Note Certificate will be deposited with a common depositary for Euroclear and Clearstream (each of Euroclear and Clearstream, a "**Clearing System**"). Except in the circumstances described in the Global Note Certificate, investors will not be entitled to receive definitive Notes. The relevant Clearing System will maintain records of the beneficial interests in the Global Note Certificate. While the Notes are represented by the Global Note Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Notes are represented by the Global Note Certificate, the Issuer will discharge its payment obligations under the Notes by making payments to the common depositary for Euroclear and Clearstream for distribution to their account holders. A holder of a beneficial interest in a Global Note Certificate must rely on the procedures of the relevant Clearing System to receive payments under the Notes. None of the Issuer, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Note Certificate.

Holders of beneficial interests in a Global Note Certificate will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System to appoint appropriate proxies.

Gains on the transfer of the Notes may be subject to income tax under PRC tax laws.

Under the Enterprise Income Tax Law of the PRC (the "**EIT Law**") which took effect on 1 January 2008 and its implementation rules, any gains realised on the transfer of the Notes by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a "non-resident enterprise" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. There remains uncertainty as to whether the gains realised on the transfer of the Notes by non-resident enterprise holders would be treated as incomes derived from sources within the PRC and be subject to PRC enterprise income tax. Pursuant to the EIT Law, the PRC Individual Income Tax Law (the "**IIT Law**") which took effect on 30 June 2011, and the implementation regulations in relation to both the EIT Law and IIT Law, PRC income tax at a rate of 10% or 20% is normally applicable to PRC-source income derived by non-resident enterprises or individuals respectively, subject to adjustment by applicable treaty. As the Group is a PRC resident enterprise for tax purposes, interest paid to non-resident Noteholders may be regarded as PRC-sourced, and therefore be subject to PRC income tax at a rate of 10% for non-resident enterprise Noteholders and at a rate of 20% for non-resident individual Noteholders (or a lower treaty rate, if any).

On 23 March 2016, the Ministry of Finance and the State Administration of Taxation issued the Circular of Full Implementation of Business Tax to VAT Reform Caishui [2016] No. 36, which introduced a new value-added tax ("**VAT**") from 1 May 2016. Pursuant to Circular 36, entities and individuals engaged in sales of services, such as lending funds to others for obtaining the interest income and transferring the ownership of negotiable securities, within the territory of the PRC shall pay value-added tax ("**VAT**") with the tax rate of 6%. VAT is unlikely to be applicable to any transfer of the Notes between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of the Notes, but there is uncertainty as to the applicability of VAT if either the seller or buyer of the Notes is located inside the PRC. Circular 36 together with other laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

The Notes are subject to optional redemption by the Issuer.

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes will generally not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor would generally not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

The Notes are redeemable in the event of certain withholding taxes being applicable.

There can be no assurance as to whether or not payments on the Notes may be made without withholding taxes or deductions applying from the Issue Date on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the PRC or any subdivision or authority therein or thereof having power to tax. Although pursuant to the Terms and Conditions, the Issuer is required to gross up payments on account of any such withholding taxes or deductions (whether by way of enterprise income tax ("**EIT**"), business tax, VAT or otherwise), the Issuer also has the right to redeem the Notes at any time in the event (i) it has or will become obliged to pay additional tax amounts on account of any existing or future withholding or deduction for any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the PRC in excess of the applicable rate on 9 July 2020, or any political subdivision or any authority therein or thereof having power to tax as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 9 July 2020, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it.

If the Issuer redeems the Notes prior to their maturity dates, investors may not receive the same economic benefits they would have received had they held the Notes to maturity, and they may not be able to reinvest the proceeds they receive in a redemption in similar securities. In addition, the Issuer's ability to redeem the Notes may reduce the market price of the Notes.

The Group may issue additional Notes in the future.

The Group may, from time to time, and without prior consultation of the Noteholders, create and issue further Notes (see "*Terms and Conditions of the Notes — Further Issues*") or otherwise raise additional capital through such means and in such manner as it may consider necessary. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Notes.

Ratings of the Notes may not reflect all risks and may be changed at any time, which may adversely affect value of the Notes.

The Notes are expected to be assigned a rating of "Baa2" by Moody's. One or more independent credit rating agencies may assign credit ratings to an issue of the Notes. The ratings represent the opinions of the rating agencies and their assessment of the ability of the Issuer to perform their respective obligations under the Notes and the credit risks in determining the likelihood that payments will be made when due under the Notes. Such ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. There can be no assurance that the ratings assigned to any Notes will remain in effect for any given period or that the ratings will not be lowered, suspended or withdrawn by the rating agencies in the future if, in their judgement, the circumstances so warrant. The Issuer has no obligation to inform holders of the Notes of any such suspension, revision, downgrade or withdrawal. A suspension, downgrade or withdrawal of the ratings of any Notes at any time may adversely affect the market price of the Notes.

USE OF PROCEEDS

The proceeds of the issue of the Notes will after deducting such fees and expenses, be used for working capital and general corporate purposes.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions which (subject to modification and except for the paragraphs in italics) will be endorsed on the Note Certificates issued in respect of the Notes:

The U.S.$600,000,000 3.125 per cent. Notes due 2025 (the "**Notes**", which expression includes any further notes issued pursuant to Condition 14 (*Further issues*) and forming a single series therewith) of ZhongAn Online P & C Insurance Co., Ltd. (眾安在綫財產保險股份有限公司) (the "**Issuer**") are constituted by, are subject to, and have the benefit of, a trust deed dated 16 July 2020 (the "**Issue Date**") (as amended, restated, replaced and/or supplemented from time to time, the "**Trust Deed**") between the Issuer and Citicorp International Limited as trustee (the "**Trustee**", which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed) and are the subject of an agency agreement dated 16 July 2020 (as amended, restated, replaced and/or supplemented from time to time, the "**Agency Agreement**") between the Issuer, Citibank, N.A., London Branch as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Notes) and as the transfer agent (the "**Transfer Agent**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes) and the Trustee. References herein to the "**Paying Agents**" are to the paying agents appointed from time to time in connection with the Notes and includes any successor paying agent and the Principal Paying Agent. References to the "**Agents**" are to the Registrar, the Principal Paying Agent, the Transfer Agent, the other Paying Agents and any other agent appointed from time to time in connection with the Notes and any reference to an "**Agent**" is to any one of them. Certain provisions of these terms and conditions (these "**Conditions**") are summaries of the Trust Deed and the Agency Agreement and subject to their detailed provisions. The Noteholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Noteholders at all reasonable times during normal business hours (being between 9:00 a.m. (Hong Kong time) and 3:00 p.m.(Hong Kong time), Monday to Friday (other than public holidays)) at the principal place of business of the Trustee (being as at the Issue Date at 20/F, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong) following prior written request and proof of holding and identity to the satisfaction of the Trustee.

All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Trust Deed.

1 Form, Denomination and Status

(a) *Form and denomination*: The Notes are in registered form in the denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (each, an "**Authorised Denomination**").

(b) *Status of the Notes*: The Notes constitute direct, general, unconditional, unsubordinated and (subject to Condition 3(a) (*Negative Pledge*)) unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

*Upon issue, the Notes will be evidenced by a global note certificate (the "**Global Note Certificate**") substantially in the form scheduled to the Trust Deed. The Global Note Certificate will be registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"), and will be exchangeable for individual Note Certificates (as defined below) only in the circumstances set out therein.*

2 Register, Title and Transfers

(a) *Register*: The Registrar will maintain a register (the "**Register**") in respect of the Notes in accordance with the provisions of the Agency Agreement. In these Conditions, the "**Holder**" of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly. A certificate (each, a "**Note Certificate**") will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.

(b) *Title*: The Holder of each Note shall (except as ordered by a court of competent jurisdiction or as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no person shall be liable for so treating such Holder.

(c) *Transfers*: Subject to Conditions 2(f) (*Closed periods*) and 2(g) (*Regulations concerning transfers and registration*) and the terms of the Agency Agreement, a Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however, that* a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are Authorised Denominations. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor.

(d) *Registration and delivery of Note Certificates*: Within seven business days of the surrender of a Note Certificate in accordance with Condition 2(c) (*Transfers*), the Registrar will register the transfer in question and make available a new Note Certificate of a like principal amount to the Notes transferred for collection by each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) will send a new Note Certificate by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this Condition 2(d) (*Registration and delivery of Note Certificates*), "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(e) *No charge*: The transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but upon (i) payment of (or the giving of such indemnity and/or security and/or pre-funding as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of) whatsoever nature which may be levied or imposed in connection with such transfer, (ii) the Registrar or the relevant Transfer Agent (as the case may be) being satisfied in its absolute discretion with the documents of title or identity of the person making the application and (iii) the Issuer, the Registrar or the relevant Transfer Agent being satisfied that the regulations concerning transfer of Notes have been complied with.

(f) *Closed periods*: No Noteholder may require the transfer of any Note to be registered (i) during the period of 15 days ending on (and including) the due date for any payment of principal or interest in respect of the Notes or (ii) after a Put Exercise Notice (as defined in Condition 5(c) (*Redemption for No Registration Event*) has been delivered by such Noteholder in respect of such Note in accordance with Condition 5(c) (*Redemption for No Registration Event*).

(g) *Regulations concerning transfers and registration*: All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar, and by the Registrar with the prior written approval of the Trustee. A copy of the current regulations will be made available for inspection by the Registrar to any Noteholder who requests in writing a copy of such regulations and provides proof of holding and identity to the satisfaction of the Registrar.

3 Covenants

(a) *Negative Pledge*: So long as any Note remains outstanding, the Issuer shall not, and the Issuer shall procure that none of its Principal Non-Listed Subsidiaries will, create or permit to subsist any Security Interest (other than any Permitted Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital (if applicable)) to secure any Relevant Indebtedness or guarantee or indemnity of Relevant Indebtedness without at the same time or prior thereto (i) securing the Notes equally and rateably therewith or (ii) providing such other security for the Notes that the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Noteholders or as may be approved by an Extraordinary Resolution of Noteholders.

(b) *Undertakings relating to Foreign Debt Registration and applicable PRC laws:* The Issuer undertakes that it will (i) within the prescribed time period after the Issue Date, register or cause to be registered with State Administration of Foreign Exchange of the PRC or its competent local counterparts ("**SAFE**") the Notes pursuant to the Administrative Measures for Foreign Debt Registration and its operating guidelines, effective as of 13 May 2013 (the "**Foreign Debt Registration**"), (ii) use its reasonable endeavours to complete the Foreign Debt Registration and obtain a registration record or evidence of filing from SAFE on or before the Registration Deadline, (iii) as soon as possible upon being required or requested to do so by any relevant governmental authority, file or cause to be filed with SAFE the Notes pursuant to the Circular of the People's Bank of China on Matters concerning the Macro-Prudential Management of Cross-Border Financing in Full Aperture (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知) issued by the People's Bank of China and which came into effect on 12 January 2017, and (iv) comply with all applicable PRC laws and regulations in relation to the Foreign Debt Registration.

(c) *Notification to NDRC*: The Issuer undertakes that it will within the prescribed time period after the Issue Date file or cause to be filed with the NDRC the requisite information and documents in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015] 2044號)) issued by the NDRC and effective as of 14 September 2015 and any implementation rules as issued by the NDRC from time to time (the "**NDRC Post-issue Filing**").

(d) *Notification of Completion of the Foreign Debt Registration and Submission of the NDRC Post-issue Filing:* The Issuer shall:

(i) provide the Trustee within 20 PRC Business Days after the submission of the NDRC Post-issue Filing with a certificate in English substantially in the form set out in the Trust Deed signed by an Authorised Signatory of the Issuer confirming the submission of the NDRC Post-issue Filing. In addition, the Issuer shall, within 20 PRC Business Days after the certificate referred to in the immediately preceding sentence is delivered to the Trustee, give notice to the Noteholders (in accordance with Condition 15) confirming the submission of the NDRC Post-issue Filing; and

(ii) provide the Trustee within 20 PRC Business Days after the receipt of the registration certificate from SAFE (or any other document evidencing the completion of the Foreign Debt Registration issued by SAFE) with (A) a certificate in English substantially in the form set out in the Trust Deed signed by an Authorised Signatory of the Issuer confirming the completion of the Foreign Debt Registration and (B) copies of the relevant documents evidencing the completion of the Foreign Debt Registration, each certified in English as being a true and complete copy of the original by an Authorised Signatory of the Issuer (the items specified in this Condition 3(d)(ii)(A) and Condition 3(d)(ii)(B) together, the "**Registration Documents**"). In addition, the Issuer shall, within 20 PRC Business Days after the Registration Documents are delivered to the Trustee, give notice to the Noteholders (in accordance with Condition 15) confirming the completion of the Foreign Debt Registration.

The Trustee may rely conclusively on the Registration Documents and shall have no obligation or duty to monitor or ensure or to assist with the submission of the NDRC Post-issue Filing with the NDRC or the filing or registration of the Notes with SAFE on or before the Registration Deadline or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the NDRC Post-issue Filing and/or the Foreign Debt Registration and/or the Registration Documents or to translate or procure the translation into English of any document referred to in Condition 3(d)(ii)(B) or any Registration Document which is in the Chinese language or to give notice to the Noteholders confirming the submission of the NDRC Post-issue Filing and/or the completion of the Foreign Debt Registration, and the Trustee shall not be liable to Noteholders or any other person for not doing so.

(e) *Financial Statements etc.*: So long as any Note remains outstanding, the Issuer shall provide to the Trustee (i) a Compliance Certificate (on which the Trustee may rely conclusively as to such compliance without investigation or inquiry) within 14 days of a written request by the Trustee therefor and also at the time of provision of the Audited Financial Reports (as provided below); (ii) a copy of the relevant Audited Financial Reports within 150 days of the end of each Relevant Period prepared in accordance with the Relevant Accounting Standard (audited by a nationally or internationally recognised firm of independent accountants of good repute); and (iii) a copy of the Unaudited Financial Reports within 120 days of the end of each Relevant Period prepared on a basis consistent with the Audited Financial Reports, provided that (A) if at any time the capital stock of the Issuer is listed for trading on a recognised stock exchange, the Issuer may provide to the Trustee, as soon as they are available but in any event not more than 14 PRC Business Days after any Audited Financial Reports or Unaudited Financial Reports of the Issuer are filed with the stock exchange on which the Issuer's capital stock is at such time listed for trading, copies of such Audited Financial Reports or Unaudited Financial Reports (as the case may be) filed with such stock exchange in lieu of the reports identified in this Condition 3(e), (and in any such case, the Trustee shall be entitled to assume that each such copy is a complete and accurate copy of such Audited Financial Reports or such Unaudited

Financial Reports (as the case may be), and may rely conclusively and without liability to any Noteholder, the Issuer or any other person on the same) and (B) if any such Audited Financial Reports or Unaudited Financial Reports referred to in this Condition 3(e) shall be in the Chinese language, together with an English translation of the same translated by (I) a nationally or internationally recognised firm of independent accountants of good repute or (II) a professional translation service provider and checked by a nationally or internationally recognised firm of independent accountants of good repute, together with a certificate in English signed by an Authorised Signatory of the Issuer certifying that such translation is complete and accurate (and in any such case, the Trustee shall be entitled to assume that each such English translation is a complete and accurate translation of the original, and may rely conclusively and without liability to any Noteholder, the Issuer or any other person on any such translation and any such certificate).

(f) *Rating Maintenance*: So long as any Note remains outstanding, save with the approval of an Extraordinary Resolution of Holders, the Issuer shall use its reasonable endeavours to maintain a rating on the Notes by any one of the Rating Agencies.

(g) *Definitions*: In these Conditions:

"**Audited Financial Reports**" means the annual audited consolidated statement of comprehensive income, balance sheet, statement of cash flow and statement of changes in equity of the Issuer and its Subsidiaries together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them;

"**Compliance Certificate**" means a certificate of the Issuer in English, substantially in the form set out in the Trust Deed, signed by any one of its Authorised Signatories certifying that, having made due enquiries, to the best of the knowledge, information and belief of the Issuer as at a date (the "**Certification Date**") not more than five days before the date of the certificate:

(i) no Event of Default or any event or circumstance which could, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfilment of any other requirement provided for in Condition 8 (*Events of Default*), become an Event of Default, had occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it and the action(s) which the Issuer has taken or proposes to take with respect to it; and

(ii) the Issuer has complied with all its obligations under the Notes and the Trust Deed or, if non-compliance had occurred, giving details of it and the action(s) which the Issuer has taken or proposes to take with respect to it;

"**Hong Kong**" means the Hong Kong Special Administrative Region of the People's Republic of China;

"**Listed Subsidiary**'' means any Subsidiary of the Issuer the shares of which are listed on a nationally or internationally recognised stock exchange, and any Subsidiary of such Listed Subsidiary;

"**NDRC**" means the National Development and Reform Commission of the PRC or its local counterparts;

”**Permitted Security Interest**” means:

(i) any Security Interest either over any asset acquired after the Issue Date which is in existence at the time of such acquisition or in respect of the obligations of any Person which becomes the Issuer’s Subsidiary after the Issue Date which is in existence at the date on which it becomes the Issuer’s Subsidiary and in both cases any replacement thereof created in connection with the refinancing (together with interest, fees and other charges attributable thereto) of the indebtedness originally secured; provided that any such Security Interest was not incurred in anticipation of such acquisition or of such company becoming the Issuer’s Subsidiary; and

(ii) any Security Interest on any property or asset of the Issuer or any Subsidiary which is created pursuant to any securitisation, repackaging or like arrangement in accordance with normal market practice, provided that the aggregate book value of the relevant assets subject to such Security Interest does not exceed 10 per cent. of the consolidated total assets of the Issuer and its Subsidiaries,measured in accordance with the Relevant Accounting Standard based on the latest Audited Financial Reports or, if more recent, the Unaudited Financial Reports, as the case may be;

“**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

“**PRC**” means the People’s Republic of China, which, for the purposes of these Conditions, shall not include Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;

“**PRC Business Day**” means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are generally open for business in Beijing and Shanghai in the PRC;

”**Principal Non-Listed Subsidiary**” means a Principal Subsidiary which is not a Listed Subsidiary;

“**Rating Agencies**” means (a) Moody’s Investors Service, Inc., a subsidiary of Moody’s Corporation, and its successors; (b) Fitch Ratings and its successors; (c) Standard & Poor’s Rating Services and its successors; or (d) A.M. Best Company and its successors;

“**Registration Deadline**” means the day falling 180 PRC Business Days after the Issue Date, excluding the days that SAFE is not open for business;

“**Relevant Accounting Standard**” means any one of the following accounting standards, as adopted by the Issuer for the relevant financial year:

(i) Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants; or

(ii) International Financial Reporting Standards approved by the International Accounting Standards Board, and includes all International Accounting Standards and interpretations issued under the former International Accounting Standards Committee from time to time, or

(iii) China Accounting Standards for Business Enterprises issued by the China Accounting Standards Committee of the China Ministry of Finance;

"**Relevant Indebtedness**" means any indebtedness issued outside of the PRC which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is intended by the Issuer or any of its Principal Non-listed Subsidiaries to be, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

"**Relevant Period**" means (a) in relation to each of the Audited Financial Reports and the annual Compliance Certificate of the Issuer, each period of twelve months ending on the last day of the financial year (being 31 December of that financial year); and (b) in relation to the Unaudited Financial Reports, each period of six months ending on the last day of the first half financial year (being 30 June of that financial year);

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person whose financial statements are, in accordance with applicable law or generally accepted accounting principles, consolidated with those of the first Person; and

"**Unaudited Financial Reports**" means the semi-annual unaudited consolidated statement of comprehensive income, balance sheet and, if any, statement of cash flow and statement of changes in equity of the Issuer and its Subsidiaries together with, if any, statements, reports (including any directors' and auditors' review reports) and notes attached to or intended to be read with any of them.

4 Interest

The Notes bear interest on their outstanding principal amount from and including 16 July 2020 (the "**Issue Date**") at the rate of 3.125 per cent. per annum, (the "**Rate of Interest**") payable semi-annually in arrear in equal instalments on 16 January and 16 July in each year (each, an "**Interest Payment Date**"), subject as provided in Condition 6 (*Payments*).

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal or premium (if any) is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

The amount of interest payable on each Interest Payment Date shall be U.S.$15.625 in respect of each Calculation Amount. If interest is required to be paid in respect of a Note on any other date, it shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest cent (half a cent being rounded upwards), where:

"**Calculation Amount**" means U.S.$1,000; and

"**Day Count Fraction**" means, in respect of any period, the number of days in the relevant period will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

5 Redemption and Purchase

(a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 16 July 2025, subject as provided in Condition 6 (*Payments*).

(b) *Redemption for tax reasons*: The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders and in writing to the Trustee and the Principal Paying Agent (which notice shall be irrevocable) at their principal amount, together with interest accrued to but excluding the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that:

(i) the Issuer has or will become obliged to pay Additional Amounts (as defined in Condition 7 (*Taxation*)) as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 9 July 2020; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this Condition 5(b) (*Redemption for tax reasons*), the Issuer shall deliver or procure that there is delivered to the Trustee:

(A) a certificate in English signed by any Authorised Signatory of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and

(B) an opinion addressed to and in form and substance satisfactory to the Trustee of an independent legal or tax adviser of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

The Trustee shall be entitled (but shall not be obliged to) to accept and rely conclusively upon such certificate and opinion (without further investigation or enquiry) as sufficient evidence of the satisfaction of the circumstances set out in (i) and (ii) above of this Condition 5(b) (*Redemption for tax reasons*), in which event the same shall be conclusive and binding on the Noteholders.

Upon the expiry of any such notice as is referred to in this Condition 5(b) (*Redemption for tax reasons*), the Issuer shall be bound to redeem the Notes in accordance with this Condition 5(b) (*Redemption for tax reasons*).

(c) *Redemption for No Registration Event*: At any time following the occurrence of the No Registration Event, each Noteholder will have the right, at such Noteholder's option, to require the Issuer to redeem all but not some only of that Noteholder's Notes on the Put Settlement Date at 100 per cent. of their principal amount, together with interest accrued to but excluding such Put Settlement Date. To exercise such right, the Noteholder must deposit at the Specified Office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the Specified Office of any Paying Agent (a "**Put Exercise Notice**"), together with the Note Certificates evidencing the Notes to be redeemed by not later than 30 days following the No Registration Event, or, if later, 30 days following the date upon which notice thereof is given to Noteholders by the Issuer in accordance with Condition 15 (*Notices*). The "**Put Settlement Date**" shall be the 14th day after the expiry of such period of 30 days as referred to above.

A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Notes subject to the Put Exercise Notices delivered as aforesaid.

The Issuer shall give notice to Noteholders and the Trustee in accordance with Condition 15 (*Notices*) by not later than 14 days following the first day on which the Issuer becomes aware of the occurrence of the No Registration Event, which notice shall specify the procedure for exercise by Holders of their rights to require redemption of the Notes pursuant to this Condition 5(c) (*Redemption for No Registration Event*).

In this Condition 5(c):

a "**No Registration Event**" occurs when the Registration Conditions are not satisfied on or before the Registration Deadline; and

"**Registration Conditions**" means the receipt by the Trustee of the Registration Documents as set forth in Condition 3(d)(ii).

Neither the Agents nor the Trustee shall be required to monitor or to take any steps to ascertain whether a No Registration Event or any event which could lead to a No Registration Event has occurred or may occur and none of them shall have any obligation or duty to verify the accuracy, validity and/or genuineness of any documents in relation to or connection with the Registration Conditions, and none of the Trustee or the Agents shall be liable to the Noteholders, the Issuer or any other person for not doing so.

(d) *Optional Redemption*: The Issuer may redeem the Notes, in whole, but not in part, at any time upon giving not less than 15 nor more than 45 days' notice to the Noteholders in accordance with Condition 15 and in writing to the Trustee and the Principal Paying Agent (which notice shall be irrevocable (subject to the proviso below)) (an "**Optional Redemption Notice**"), at a redemption price equal to (i) (in the case of an Optional Redemption Date falling before 16 April 2025) their Make Whole Amount together with any interest accrued to but excluding such Optional Redemption Date or (ii) (in the case of an Optional Redemption Date falling on or after 16 April 2025) 100 per cent. of their principal amount together with any interest accrued to but excluding such Optional Redemption Date (collectively, the "**Optional Redemption Price**").

If the Optional Redemption Price is not received in full by the Principal Paying Agent in the manner provided for in the Agency Agreement on or before 10.00 a.m. (Hong Kong time) on the Business Day immediately preceding such redemption date, the Issuer's exercise of its right to redeem the Notes under this Condition 5(d) and such Optional Redemption Notice shall be immediately and automatically cancelled forthwith and shall cease to have any further effect. Nothing herein shall prejudice the Issuer's right to issue a new Optional Redemption Notice at any time after such cancellation.

Neither the Trustee nor the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under these Conditions, including in particular but without limitation the Optional Redemption Price of the Notes payable under this Condition 5(d).

In this Condition 5(d):

(i) "**Adjusted Treasury Rate**" means, with respect to any redemption date, (A) the yield, under the heading which represents the average for immediately preceding week, appearing in the most recently published statistical release designated "H. 15(519)" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes caption "Treasury Constant Maturities", for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after such time period, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (B) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date;

(ii) "**Comparable Treasury Issue**" means the United States Treasury security selected by the Independent Investment Bank as having a maturity comparable to the then remaining term of the Notes, that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a maturity most nearly equal to the Maturity Date;

(iii) "**Comparable Treasury Price**" means, with respect to any redemption date, the average of three, or such lesser number as is obtained by an Independent Investment Bank, Reference Treasury Dealer Quotations;

(iv) "**Independent Investment Bank**" means an independent investment bank of international repute, selected and appointed by the Issuer at the cost of the Issuer (and notice thereof is given to Noteholders in accordance with Condition 15 and in writing to the Trustee and the Principal Paying Agent by the Issuer) for the purposes of performing any of the functions expressed to be performed by it under these Conditions;

(v) "**Make Whole Amount**" means, in respect of each Note at the relevant date fixed for redemption, the greater of (A) the principal amount of such Note and (B) the present value at such redemption date of (I) the principal amount of such Note on the Maturity Date, plus (II) all required remaining scheduled interest payments due on such Note through the Maturity Date (but excluding accrued and unpaid interest to the date fixed for redemption), computed using a discount rate equal to the Adjusted Treasury Rate plus 50 basis points (all as determined by the Independent Investment Bank);

(vi) "**Make Whole Determination Business Day**" means a day, other than a Saturday, Sunday or public holiday, on which commercial banks and foreign exchange markets are open for general business in Hong Kong and New York;

(vii) ”**Optional Redemption Date**” means the date on which the Notes shall be redeemed at the option of the Issuer pursuant to this Condition 5(d) as specified in the Optional Redemption Notice;

(viii) “**Reference Treasury Dealer**” means each of the four nationally recognised investment banking firms selected by the Independent Investment Bank that are primary U.S. Government securities dealers; and

(ix) “**Reference Treasury Dealer Quotations**” means, with respect to each Reference Treasury Dealer and any date fixed for redemption of the Notes, the average, as determined by the Independent Investment Bank, of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Independent Investment Bank by such Reference Treasury Dealer at 5:00 p.m., New York City time on the third Make Whole Determination Business Day immediately preceding the issue of the Optional Redemption Notice.

(e) *Purchase*: The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price and such Notes may be held, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation. The Notes so purchased, while held by or on behalf of the Issuer or any of its Subsidiaries, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for certain purposes, including for purpose of calculating quorums at meetings of the Noteholders or for the purposes of Condition 12 (*Meetings of Noteholders; Modification and Waiver*).

(f) *Cancellation*: All Notes redeemed shall be cancelled and all Notes so cancelled and any Notes cancelled pursuant to Condition 5(e) (*Purchase*) above may not be reissued or resold.

(g) *No duty to monitor*: Neither the Trustee nor any of the Agents shall be obliged to take any steps to ascertain whether a Potential Event of Default or an Event of Default has occurred or to monitor the occurrence of any Potential Event of Default or Event of Default, and none of them shall be liable to the Noteholders or any other person for not doing so.

(h) *Calculations*: Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying the calculations of any amount payable under any notice of redemption under Condition 5(b) (*Redemption for tax reasons*), any Put Exercise Notice under Condition 5(c) (*Redemption for No Registration Event*) or any Optional Redemption Notice under Condition 5(d) (*Optional Redemption*) and none of them shall be liable to the Noteholders, the Issuer or any other person for not doing so.

6 Payments

(a) *Principal*: Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Note Certificates at the specified office of the Principal Paying Agent or any other Paying Agent if no further payment falls to be made in respect of the Notes represented by such Certificates) by transfer to the registered account (as defined in Condition 6(b) (*Interest*)) of the Noteholder.

(b) *Interest*: Interest on each Note shall be paid on the due date for payment to the person shown on the Register at the close of business on the Record Date (as defined in Condition 6(f) (*Record Date*)). Payments of interest on each Note shall be made in U.S. dollars by transfer to the registered account of the Noteholder. For the purposes of this Condition 6 (*Payments*), a Noteholder’s “**registered account**” means the U.S. dollar account maintained by or on behalf of it with a bank that processes payments in U.S. dollars, details of which appear on the Register at the close of business on the Record Date.

(c) *Payments subject to fiscal laws*: All payments in respect of the Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) *Payments on business days*: Payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated (i) (in the case of payments of principal, premium (if any) and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a business day. In this Condition 6(d) (*Payments on business days*), "**business day**" means any day on which banks are open for general business (including dealings in foreign currencies) in New York City, Hong Kong and the place in which the specified office of the Principal Paying Agent is located and, in the case of surrender (or, in the case of part payment only, endorsement) of a Note Certificate, in the place in which the Note Certificate is surrendered (or, as the case may be, endorsed).

(e) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

(f) *Record date*: Each payment in respect of a Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifth business day (as defined in Condition 6(d) (*Payments on business days*)) before the due date for such payment (the "**Record Date**").

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

7 Taxation

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

Where such withholding or deduction is made by the Issuer in the PRC at the rate applicable on 9 July 2020 (the "**Applicable Rate**"), the Issuer will pay such additional amounts as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required.

In the event that the Issuer is required to make a deduction or withholding by or within the PRC in excess of the Applicable Rate, the Issuer shall pay such additional amounts (the "**Additional Amounts**") as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Note:

(a) held by a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of its having some connection with the PRC other than the mere holding of the Note; or

(b) where (in the case of a payment of principal or interest on redemption) the relevant Note Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such Additional Amounts if it had surrendered the relevant Note Certificate on the last day of such period of 30 days.

In these Conditions, "**Relevant Date**" means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders.

Any reference in these Conditions to principal, premium (if any) or interest shall be deemed to include any additional amounts in respect of principal, premium (if any) or interest (as the case may be) which may be payable under this Condition 7 (*Taxation*) or any undertaking given in addition to or in substitution of this Condition 7 (*Taxation*) pursuant to the Trust Deed.

If the Issuer becomes subject at any time to any taxing jurisdiction other than the PRC, references in these Conditions to the PRC shall be construed as references to the PRC and/or such other jurisdiction.

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 7 (*Taxation*) or otherwise in connection with the Notes or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, the Noteholders or any other person to pay such tax, duty, charges, withholding or other payment, and none of them shall be responsible or obliged to provide any notice or information in relation to the Notes in connection with payment of such tax, duty, charges, assessments, withholding or other payment imposed by or in any jurisdiction, including without limitation any notice or information that would permit, enable or facilitate the payment of any principal, premium (if any) interest or other amount under or in respect of the Notes without deduction or withholding for or on account of any tax, duty, charges, assessments, withholding or other payment imposed by or in any jurisdiction.

8 Events of Default

If any of the following events (each an "**Event of Default**") occurs and is continuing, then the Trustee at its discretion may and, if so requested in writing by Holders of at least 25 per cent. of the aggregate principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject in any such case to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction) give written notice to the Issuer declaring the Notes to be, whereupon they shall immediately become, due and payable at their principal amount together with accrued and unpaid interest without further action or formality:

(a) *Non-payment*: the Issuer fails to pay any amount of principal and/or premium in respect of the Notes within 3 days of the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within 21 days of the due date for payment thereof; or

(b) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Trust Deed (other than where it may give rise to a right of redemption for the No Registration Event) and such default (i) is in the opinion of the Trustee incapable of remedy or (ii) being a default which is in the opinion of the Trustee capable of remedy, remains unremedied for 60 days after the Trustee has given written notice thereof to the Issuer; or

(c) *Cross-default of Issuer or Subsidiary*:

(i) any indebtedness of the Issuer or any of its Subsidiaries for moneys borrowed or raised is not paid when due or (as the case may be) within any originally applicable grace period;

(ii) any such indebtedness for moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer or (as the case may be) the relevant Subsidiary or (*provided that* no event of default, howsoever described, has occurred) any person entitled to such indebtedness; or

(iii) the Issuer or any of its Subsidiaries fails to pay when due or (as the case may be) within any originally applicable grace period any amount payable by it under any guarantee or indemnity of any indebtedness for moneys borrowed or raised;

provided that the amount of indebtedness for borrowed or raised referred to in sub-paragraph (i) and/or sub-paragraph (ii) of this Condition 8(c) (*Cross-default of Issuer or Subsidiary*) and/or the amount payable under any guarantee or indemnity referred to in sub-paragraph (iii) of this Condition 8(c) (*Cross-default of Issuer or Subsidiary*), individually or in the aggregate, exceeds U.S.$30,000,000 (or its equivalent in any other currency or currencies); or

(d) *Unsatisfied judgment*: one or more judgment(s) or order(s) for the payment of any amount which, individually or in the aggregate, exceeds U.S.$30,000,000 (or its equivalent in any other currency or currencies) is rendered against the Issuer or any of its Principal Subsidiaries and continue(s) unsatisfied and unstayed for a period of 60 days after the date(s) thereof or, if later, the date therein specified for payment; or

(e) *Security enforced*: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a substantial part of the undertaking, assets and revenues of the Issuer or any of its Principal Subsidiaries and such action is not discharged within 60 days after the date thereof; or

(f) *Insolvency, etc.*: (i) the Issuer or any of its Principal Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator is appointed (or application for any such appointment is made) in respect of the Issuer or any of its Principal Subsidiaries or all or a substantial part of the undertaking, assets and revenues of the Issuer or any of its Principal Subsidiaries, (iii) the Issuer or any of its Principal Subsidiaries takes any action for a readjustment or deferment of all or a substantial part of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of all or a substantial part of its indebtedness or all or a substantial part of the guarantee or indemnity of indebtedness given by it; or

(g) *Winding up, etc.*: (i) an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its Principal Subsidiaries or (ii) the Issuer or any of its Principal Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business; except (A) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution of the Noteholders, or (B) in the case of a Principal Subsidiary, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer or any of its Subsidiaries in any combination, or (C) a members' voluntary solvent winding-up of any Principal Subsidiary, or (D) in the case of a Principal Subsidiary, any disposal or sale of a Principal Subsidiary to any other person on arms' length terms for market consideration, where the proceeds (whether in cash or otherwise) resulting from such disposal or sale are transferred to or vested in the Issuer and/or any of its Subsidiaries in any combination; or

(h) *Authorisation and Consents*: any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Notes or the Trust Deed, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Note Certificates and the Trust Deed admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or

(i) *Unlawfulness*: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Trust Deed; or

(j) *Government intervention*: (i) all or any substantial part of the undertaking, assets and revenues of the Issuer or any of its Principal Subsidiaries is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government or (ii) the Issuer or any of its Principal Subsidiaries is prevented by any such person from exercising normal control over all or any substantial part of its undertaking, assets and revenues; or

(k) *Analogous event*: any event occurs which under the laws of the PRC has an analogous effect to any of the events referred to in Condition 8(d) (*Unsatisfied judgment*) to Condition 8(g) (*Winding up, etc.*) (both inclusive).

In this Condition 8,

"**Principal Subsidiaries**" means any Subsidiary of the Issuer:

(a) whose total income (consolidated in the case of a Subsidiary which has Subsidiaries) attributable to such Person, as shown by its latest audited income statement are at least 10 per cent. of the consolidated total incomes as shown by the latest published audited income statement of such Person and its consolidated Subsidiaries; or

(b) whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) attributable to the Issuer, as shown by its latest audited balance sheet, are at least 10 per cent. of the consolidated total assets of the Issuer and its consolidated Subsidiaries as shown by the latest published audited consolidated balance sheet of the Issuer and its Subsidiaries, including the investment of the Issuer and its consolidated Subsidiaries in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Issuer and of associated companies and after adjustment for minority interests; or

(c) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall cease to become a Principal Subsidiary at the date on which the first published audited accounts (consolidated, if appropriate), of the Issuer prepared as of a date later than such transfer are issued unless such Subsidiary would continue to be a Principal Subsidiary on the basis of such accounts by virtue of the provisions of paragraphs (a) or (b) above of this definition,

provided that, in relation to paragraphs (a) and (b) above of this definition;

(i) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Issuer relate, the reference to the then latest consolidated audited accounts of the Issuer and its Subsidiaries for the purposes of the calculation above shall, until consolidated audited accounts of the Issuer for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then latest consolidated audited accounts of the Issuer and its Subsidiaries adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts; and

(ii) if at any relevant time in relation to the Issuer or any Subsidiary which itself has Subsidiaries, no consolidated accounts are prepared and audited, total income or total assets of the Issuer and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Issuer;

(iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its total assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose; and

(iv) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (i) above of this definition) are not consolidated with those of the Issuer, then the determination of whether or not such Subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Issuer.

A certificate in English prepared and signed by an Authorised Signatory of the Issuer that, in the opinion of the Issuer, a Subsidiary is or is not, or was or was not, a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

9 Prescription

Claims for principal and interest on redemption shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

10 Replacement of Note Certificates

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar, subject to all applicable laws, regulations and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

11 Trustee and Agents

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including without limitation provisions relieving it from taking steps and/or actions and/or instituting proceedings to enforce its rights under the Trust Deed, the Agency Agreement, and/or these Conditions and in respect of the Notes and to enforce payment unless first indemnified and/or secured and/or pre-funded to its satisfaction and to be paid or reimbursed for its fees, costs, expenses and indemnity payments and any liabilities incurred by it in priority to the claims of Noteholders. In addition, the Trustee, the Agents and their respective directors, employees and officers are entitled to enter into business transactions with the Issuer and any entity relating (directly or indirectly) to the Issuer without accounting for any profit.

In the exercise of its powers and discretions under these Conditions, the Trust Deed and/or the Agency Agreement, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual Holders of Notes as a result of such Holders being connected in any way with a particular territory or taxing jurisdiction.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement or these Conditions to exercise any discretion or power, take or refrain from any action, make any decision or give any direction, the Trustee is entitled, prior to exercising any such discretion or power, taking or refraining from any such action, making any such decision or giving any such direction, to seek directions from the Noteholders by way of Extraordinary Resolution or clarification of any directions, and the Trustee shall be entitled to rely on any such directions or clarification and shall not be responsible or liable for any loss or liability incurred by the Issuer, the Noteholders or any other person as a result of any delay in it exercising such discretion or power, taking or refraining from such action, making such decision or giving such direction where the Trustee is seeking such direction or clarification of any directions from the Noteholders or in the event that the directions or clarification sought are not provided by the Noteholders. The Trustee shall not be liable to any Noteholder, the Issuer or any other person for any action taken by it in accordance with the instruction, direction or request of the Noteholders. The Trustee shall be entitled to rely on any instructions, direction or request of Noteholders (whether given by Extraordinary Resolution or otherwise as contemplated or permitted by the Trust Deed or the Notes).

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer and any other person appointed by the Issuer in relation to the Notes of the duties and obligations on their part expressed in respect of the same and, unless a responsible officer of the Trustee or, as the case may be, the relevant Agent has express notice in writing to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed.

None of the Trustee or any of the Agents shall have any obligation to monitor or take any steps to ascertain whether an Event of Default, a Potential Event of Default or the No Registration Event has occurred and none of them shall be liable to the Noteholders or any other person for not doing so.

Each Noteholder shall be solely responsible for making and continuing to make its own independent appraisal of and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer and the Trustee shall not at any time have any responsibility for the same and no Noteholder shall rely on the Trustee in respect thereof.

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

The initial Agents and their initial Specified Offices are listed below. The Issuer reserves the right (with the prior written approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar or successor principal paying agent and additional or successor paying agents and transfer agents; *provided, however, that* the Issuer shall at all times maintain a principal paying agent and a registrar.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given by the Issuer to the Noteholders.

12 Meetings of Noteholders; Modification and Waiver

(a) *Meetings of Noteholders*: The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including without limitation the modification of any provision of these Conditions, the Trust Deed and/or the Agency Agreement. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or by the Trustee and shall be convened by the Trustee upon the request in writing of Noteholders holding not less than 10 per cent. of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* certain proposals as more particularly set out in the Trust Deed (including any proposal, *inter alia*, to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal, premium, or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payments under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "**Reserved Matter**")) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more persons holding or representing not less than 66.7 per cent. or, at any adjourned meeting, 25 per cent. of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

In addition, a resolution (A) in writing signed by or on behalf of Noteholders holding not less than 90 per cent. of the aggregate principal amount of the Notes then outstanding who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed or (B) passed by Electronic Consent (as defined in the Trust Deed) will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) *Modification and waiver*: The Trustee may, without the consent of the Noteholders, agree (i) to any modification of these Conditions, the Trust Deed and/or the Agency Agreement (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, not materially prejudicial to the interests of Noteholders and (ii) to any modification of the Notes, the Trust Deed and/or the Agency Agreement which in the opinion of the Trustee is of a formal, minor or technical nature or is to correct a manifest error or to comply with any mandatory provision of applicable law. In addition, the Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach or breach of the Notes, the Trust Deed and/or the Agency Agreement (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Noteholders by the Issuer as soon as practicable thereafter.

(c) *Expenditure of Trustee Funds*: Notwithstanding anything to the contrary, the Notes, the Trust Deed and/or the Agency Agreement, whenever the Trustee is required or entitled by the terms or conditions in the Notes, the Trust Deed and/or the Agency Agreement to exercise any right, discretion or power, the Trustee is entitled, prior to exercising any such right, discretion or power, to be indemnified and/or provided with security and/or pre-funded to its satisfaction against all action, proceedings, claims and demands to which in its opinion it may be or become liable and all costs, charges, damages, expenses (including legal expenses) and liabilities which in its opinion may be incurred by it in connection therewith.

(d) *Certificates and Reports*: The Trustee may rely conclusively and without liability to Noteholders, the Issuer or any other person on any report, confirmation, certificate or information from or any opinion or advice of any accountants, auditors, lawyers, valuers, auctioneers, surveyors, brokers, financial advisers, financial institution or any other expert, whether or not obtained by or addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, certificate, information, opinion or advice and, in such event, such report, confirmation, certificate, information, opinion or advice shall be binding on the Issuer and the Noteholders. The Trustee shall not be responsible or liable to the Issuer, the Noteholders or any other person for any loss occasioned by acting on or refraining from acting on any such report, information, confirmation, certificate, opinion or advice.

13 Enforcement

The Trustee may at any time, at its discretion and without notice, institute such actions, suits and proceedings as it thinks fit to enforce its rights under the Trust Deed and/or the Agency Agreement in respect of the Notes, but it shall not be bound to do so unless:

(a) it has been so requested in writing by the Holders of at least 25 per cent. of the aggregate principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and

(b) it has been indemnified and/or provided with security and/or pre-funded to its satisfaction.

No Noteholder may proceed directly against the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

14 Further Issues

The Issuer may from time to time, without the consent of the Noteholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the issue date, the first payment of interest and the timing for complying with the Registration Conditions, for filing the NDRC Post-issue Filing with the NDRC and for completion of the Foreign Debt Registration or other reporting to SAFE) so as to form a single series with the Notes. Any further notes shall be constituted by a deed supplemental to the Trust Deed.

15 Notices

Notices to the Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

Until such time as any individual certificates are issued and so long as the Global Note Certificate is held in its entirety on behalf of Euroclear and Clearstream or any Alternative Clearing System (as defined in the Global Note Certificate), any notice to the Noteholders shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream or such Alternative Clearing System for communication by it to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

16 Currency Indemnity

U.S. dollars is the sole currency of account and payment for all sums payable by the Issuer under or in connection with the Notes and the Trust Deed. If any sum due from the Issuer in respect of the Notes or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify the Trustee and each Noteholder, on the written demand of the Trustee or such Noteholder addressed to the Issuer and delivered to the Issuer, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which the Trustee or such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

17 Contracts (Rights of Third Parties) Act 1999

Without prejudice to the rights of the Noteholders as set out in Condition 13 (*Enforcement*), no person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999 but this shall not affect any right or remedy which exists or is available apart from such Act.

18 Governing Law and Jurisdiction

(a) *Governing law*: The Notes, the Trust Deed and Agency Agreement and any non-contractual obligations arising out of or in connection with the Notes, the Trust Deed and Agency Agreement are governed by English law.

(b) *Jurisdiction*: The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes or the Trust Deed and accordingly any legal action or proceedings arising out of or in connection with any Notes or the Trust Deed ("**Proceedings**") may be brought in such courts. The Issuer has irrevocably submitted to the jurisdiction of such courts and waived any objection to Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

(c) *Waiver of Immunity*: The Issuer has in the Trust Deed waived any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and has irrevocably consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

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

The Global Note Certificate will be exchanged in whole, but not in part, for duly authenticated and completed Individual Note Certificates if Euroclear or Clearstream is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business.

Whenever the Global Note Certificate is to be exchanged for Individual Note Certificates, such Individual Note Certificates shall be issued in an aggregate principal amount equal to the principal amount of the Global Note Certificate within seven business days of the delivery, by or on behalf of the registered Holder of the Global Note Certificate, Euroclear and/or Clearstream, to the Registrar of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Note Certificate at the Specified Office of the Registrar. Such exchange shall be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any Holder or the Trustee, but against such indemnity and/or security as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

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

Promise to pay

The Issuer will promise to pay interest on such principal sum in arrear on the dates and at the rate specified in the Conditions save that the calculation is made in respect of the total aggregate amount of the Notes represented by the Global Note Certificate, together with any additional amounts payable in accordance with the Conditions, all subject to and in accordance with the Terms and Conditions.

Payments Business Day

In the case of all payments made in respect of the Global Note Certificate, "**business day**" means any day which is a day on which banks are open for general business (including dealings in foreign currencies) in New York City and the place in which the Specified Office of the Principal Paying Agent is located.

Payment Record Date

Each payment in respect of the Global Note Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

Exercise of put option

In order to exercise the option contained in Condition 5(c) (*Redemption for No Registration Event*) the Holder of the Global Note Certificate must, within the period specified in the Terms and Conditions for the deposit of the relevant Note Certificate and put notice, give written notice of such exercise to the Principal Paying Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Notices

Notwithstanding Condition 15 (*Notices*), so long as the Global Note Certificate is held on behalf of Euroclear, Clearstream or any other clearing system (an "**Alternative Clearing System**"), notices to Holders of Notes represented by the Global Note Certificate may be given by delivery of the relevant notice to Euroclear, Clearstream or (as the case may be) such Alternative Clearing System.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the Group's capitalisation and indebtedness as at 31 December 2019 on an actual basis and on an adjusted basis after giving effect to the issuance of the Notes prior to deducting the commissions and other estimated expenses payable by the Group in connection with this offering. The following table should be read in conjunction with the Group's consolidated financial statements and related notes included in this Offering Circular.

	As at 31 December 2019			
	Actual		As adjusted	
	(RMB'000)	*(U.S.$'000)*[1]	*(RMB'000)*	*(U.S.$'000)*[1]
Liabilities				
Securities sold under agreements to repurchase	4,049,725	581,707	4,049,725	581,707
Notes to be issued	—	—	4,177,080	600,000
Total borrowings[2] [3]	**4,049,725**	**581,707**	**8,226,805**	**1,181,707**
Equity				
Share capital	1,469,813	211,125	1,469,813	211,125
Reserves	16,576,422	2,381,054	16,576,422	2,381,054
Accumulated losses	(3,134,580)	(450,254)	(3,134,580)	(450,254)
Non-controlling interests	1,593,876	228,946	1,593,876	228,946
Total equity	**16,505,531**	**2,370,871**	**16,505,531**	**2,370,871**
Total capitalisation[4]	**20,555,256**	**2,952,578**	**24,732,336**	**3,552,578**

(1) These amounts have been translated into U.S. dollar for convenience purposes at a rate of RMB6.9618 to U.S.$1.00, the noon buying rate as set forth in the H.10 statistical release of the Federal Reserve Bank of New York on 31 December 2019.

(2) Total borrowings represent the sum of "Securities sold under agreements to repurchase" and "Notes to be issued".

(3) Since 31 December 2019, the Group's short-term borrowings have increased due to the operation of ZA Bank Limited in its ordinary course of business.

(4) Total capitalisation represents the sum of "Total borrowings" and "Total equity".

Except as otherwise disclosed above, there has been no material change in the Group's capitalisation and indebtedness since 31 December 2019.

DESCRIPTION OF THE GROUP

OVERVIEW

The Group is a leading Insuretech company in China. The Company, incorporated on 9 October 2013, is the first and also one of the only four licensed internet insurance companies in China. The Group embraces an "Insurance + Technology" dual engine strategy by integrating technologies into the entire insurance value chain. By adopting an ecosystem-oriented approach (i.e. the "B2B2C" model) through scenario-based settings, the Group empowers platforms operated by its ecosystem partners through its technology strength, creating value for the customers by satisfying their diversified protection needs in the internet life. At the same time, the Group has proved and enhanced its technology strength through the operations of its insurance business and exports its advanced experience and technologies to domestic and overseas clients, including insurance companies and internet companies.

During 2019, the Company provided services to 486 million insured customers, with the total number of insurance policies exceeding 8 billion. In terms of total GWP, the Company was ranked 11th in the PRC property and casualty insurance market. In terms of total GWP, the Company's market share in the PRC internet property and casualty insurance market has increased from 1.6% in 2014 to 17.4% in 2019, and the Company has been ranked 1st in the PRC internet non-auto property and casualty insurance market for six consecutive years since 2014. The Group primarily offers insurance products and solutions in the context of five major ecosystems:

- **Health ecosystem**: The Group provides health insurance protection to customers by offering accessible, easy-to-understand and affordable insurance solutions and value-added services through the internet. The Group primarily offers individual insurance products such as the Personal Clinic Policy Series, Walk to Wellness Policy and Didi Automobile Owner Insurance Plan. It also establishes a closed-loop health ecosystem, providing users with one-stop services covering disease prevention, health management, medical services, insurance coverage and expeditious claim settlement services.

- **Lifestyle consumption ecosystem**: The Group provides protection to cover risks associated with product return, product quality, logistics, after-sales services and merchant security deposits for well-known e-commerce platforms in China, such as Taobao, Tmall and Mogujie, as well as consumer electronic platforms such as Dajiang. The Group has also extended its shipping return policy to users in North America, Australia and the European countries which help overseas customers of Alibaba solve difficulties in returning products purchased from China through AliExpress.

- **Consumer finance ecosystem**: The Group provides customers with consumer finance products with credit guarantee, and has developed leading technologies, big data risk control as well as fund and asset matching capabilities. The Group cooperates with internet scenario platforms such as Bestpay, Wo Wallet and Cmpay under the telecommunication scenarios and Secoo under the e-commerce scenarios, and provides consumer finance solutions to selected leading internet finance platforms such as X Financial and Lexin by way of joint risk control and joint scenario-based operation. The funding providers that the Group cooperates with are mainly licensed financial institutions.

- **Auto ecosystem**: The Group offers insurance products and solutions as well as value-added services to protect its customers against vehicle damage, personal injury and death, and vehicle theft and robbery. Since 2015, the Group has jointly launched *Baobiao Auto Insurance* with Ping An P&C, the subsidiary of Ping An Insurance, one of the Company's shareholders. The Company is entitled to underwrite auto insurance across all regions in China.

- **Travel ecosystem**: The Group offers travel risk insurance products and solutions to tourists and business travellers for unexpected emergencies such as flight accidents, flight delays, travel accidents, and flight or hotel cancellations through the cooperation with major online travel agencies, airlines and offline travel agencies such as Ctrip, Fliggy and Air China etc.

The Group believes its proprietary infrastructure and technologies are critical to its success. The Group operates its insurance business on its proprietary cloud-based core operating system called Wujieshan. With advantages in stability, response speed, flexibility and scalability, Wujieshan enables the Group to achieve an automation rate of 99% and 95% in its underwriting and claim settlement services respectively. The Group has also developed and widely adopted AI capabilities to optimise product features quickly to enhance customer experience and strengthen risk management. The Group has accumulated extensive user data originating from its large and expanding customer base. The application of the Group's big data analytics throughout the insurance value chain enhances its results of operations.

In July 2016, the Company established a wholly-owned subsidiary, ZhongAn Technology, which focuses on research and development of financial technology solutions. The Group also develops and exports its technology strength through the operations of its insurance business to domestic and overseas clients, including insurance companies and internet platforms, who intend to expand into the internet insurance sector, so as to facilitate digital transformation of the insurance industry. In 2019, the Group had nearly 260 contracted clients and recorded revenue from technology export of RMB269.7 million, representing a year-on-year increase of 139.9%. In March 2019, in recognition of the Group's technology strengths, the Hong Kong Monetary Authority granted the Group with a "virtual bank" licence. Being one of the first batch of companies who were granted such a licence, ZA Bank Limited became the first company to operate a virtual bank business in Hong Kong when it officially commenced its business in March 2020. On 4 May 2020, ZA Life Limited, an Insuretech joint venture of ZhongAn Technologies International Group Limited and Fubon Life Hong Kong, received Hong Kong Insurance Authority's authorisation to conduct online insurance business in Hong Kong.

The Group has adopted a set of effective policies and procedures that is consistent with industry best practice to evaluate and manage risks. It has an experienced team comprised of internet and financial experts, risk, legal and compliance professionals to oversee its risk management efforts. In addition, the Group's data-driven risk management system enables dynamic pricing and risk assessment, which allows the Group to optimise its product features based on its risk control capabilities.

The Group experienced significant growth during the years ended 31 December 2017, 2018 and 2019. The Group's GWP grew from RMB5,954.5 million in 2017, to RMB11,255.7 million in 2018, and further to RMB14,629.6 million in 2019, representing a CAGR of 56.7%. The Group's net premiums earned increased significantly from RMB4,614.1 million in 2017 to RMB8,800.3 million in 2018, and further to RMB12,801.5 million in 2019, representing a CAGR of 66.6%.

RECENT DEVELOPMENTS

The Company's H Shares were listed on the Main Board of the Hong Kong Stock Exchange on 28 September 2017. On 14 April 2020, the Company announced that it has submitted an application to the CSRC on 10 April 2020 in order to convert the domestic shares of the Company into H Shares, which are expected to be traded on the Main Board of the Hong Kong Stock Exchange. Upon obtaining all necessary approvals (including approvals from the CSRC and the Hong Kong Stock Exchange) and having complied with all applicable laws, rules and regulations, the domestic shares of the Company shall be converted into H Shares and the Company will apply for the listing of and permission to deal in such H Shares on the Main Board of the Hong Kong Stock Exchange.

The unaudited aggregate GWP of the Group for the period from 1 January 2020 to 31 May 2020 was approximately RMB5,349 million, representing a 16.6% increase compared with that for the corresponding period in 2019, which was approximately RMB4,588 million. The overall impact of the COVID-19 outbreak on the Group's business is relatively limited due to the Group's purely online business model. The COVID-19 outbreak has had a negative impact on the Group's auto and travel ecosystems due to the travel restrictions and lockdown measures, as well as the consumer finance ecosystem with an expectation of tightened credit cycle in China due to the COVID-19 outbreak and the slowdown in the macro-economy. However, those negative impacts were offset by strong demands for the Group's health insurance products due to the growing protection awareness of customers and a rise in online purchasing habits during the pandemic, as well as moderate GWP growth in the lifestyle consumption ecosystem boosted by increased online consumption during social distancing. According to the information currently available, the Group is of the view that the COVID-19 outbreak does not have a material adverse effect on its results of operations and long-term business development.

On 6 July 2020, the Company published a positive profit alert (the "**Positive Profit Alert**") on the website of the Hong Kong Stock Exchange. According to the Positive Profit Alert, based on the Board's preliminary review of the unaudited management accounts and the information of the Group currently available to the Board, the Group expects its unaudited consolidated net profit attributable to owners of the Company for the six months ended 30 June 2020 to increase by no less than 100% as compared to an unaudited consolidated net profit attributable to owners of the Company of approximately RMB94,538,000 for the corresponding period in 2019. The improvement in the performance of the Group is mainly due to the decrease in the underwriting loss. As the Company continued to pursue growth with quality, the combined ratio further improved accompanied by the steady increase in the gross written premiums. The Positive Profit Alert is only based on the Company's preliminary evaluation of the available information of the Group and is not based on any financial figures or information that have been audited or reviewed by the Company's auditor. Further adjustments and finalisation in the Group's 2020 interim financial results may be required. The Group is still in the process of finalising its results for the six months ended 30 June 2020, which are expected to be published by August 2020.

HISTORY

On 9 October 2013, the Company was incorporated after receiving approval from CIRC as a joint stock limited company, with a registered capital of RMB1 billion in the PRC. The following are the significant milestones of the Group's development:

Date		Event
2013	November	The Company began operation.
2014	March	The Company received approval from CIRC to include "short-term health and accident insurance" in its permitted business scope.
	April	The Company's proprietary technology platform "Wujieshan" went online.
2015	May	The Company received approval from CIRC to include "motor vehicle insurance, including mandatory motor vehicle accident insurance and commercial motor vehicle insurance" and "insurance information services" in its permitted business scope.
	June	The Company completed its Pre-IPO Investments and RMB5.775 billion was raised.

Date		Event
	September	The Company received approval from CIRC to adopt the China Insurance Association Model Comprehensive Commercial Vehicle Insurance Policy (中國保險行業協會商業車險綜合示範條款) in six commercial auto insurance experimental zones including Heilongjiang, Shandong, Guangxi, Chongqing, Shanxi and Qingdao.
	November	The Company released the first Online-to-Offline auto insurance and maintenance brand *Baobiao Auto Insurance (保驫車險)*.
2016	July	ZhongAn Information and Technology Services Co., Ltd. was incorporated with the approval from CIRC.
	August	The Company released a mid-end medical insurance product *Personal Clinic Policy Series (尊享e生)*.
	November	The Company released the "ZhongAn Tech" brand (眾安科技), with the aim of supporting the technological upgrade of the insurance industry and promoting and developing the insurance industry's use of blockchain, AI and other new technologies.
2017	March	The Company received approval from CIRC to provide commercial auto insurance products in another 12 regions, and in September 2017, the Company received approval from CIRC to provide commercial auto insurance products in all 36 regions in the PRC.
	June	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	The Company was listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 6060).
	December	The Company announced the establishment of 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. The Company was selected as a constituent stock of the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect.
2018	September	The Company announced its first overseas project, which was to assist Sompo Japan Insurance Inc. ("**SOMPO**") in approaching digital transformation with its next generation cloud-based end-to-end insurance system.
2019	March	ZA Bank Limited became one of the first batch of companies who were granted a virtual bank licence in Hong Kong. ZA Bank Limited launched its trial pilot on 18 December 2019 and officially commenced its business in March 2020.
	December	After obtaining an internet hospital licence in July 2019, the Group officially launched its internet hospital in December 2019, which provides users with one-stop services covering online medical advice and doorstep medicine delivery, establishing a closed-loop health ecosystem.

Date		Event
2020	May	ZA Life Limited received Hong Kong Insurance Authority's authorisation to conduct online insurance business in Hong Kong.

THE GROUP'S STRENGTHS

Pioneer and leader in China's Insuretech industry

The Group is a leading Insuretech company in China. It is the first and also one of the only four licensed internet insurance companies in China. The Company was the first to establish an innovative Insuretech business model, focusing on the five major ecosystems and targeting the internet life of its customers in order to meet their diversified protection needs and create value for them. Meanwhile, the Group has proved and enhanced its technological strengths through the operations of its insurance business, and aims to empower the insurance industry by exporting Insuretech and facilitating the digital transformation of industry players, with primary focus in the Asia market. As a pioneer in China's Insuretech industry, the Group's first mover advantage and rapid growth in recent years have cemented its market leadership position.

The Group's innovative business model and sophisticated core insurance system have empowered its high frequency of interactions with a large number of customers. In 2019 alone, the Group provided services to 486 million insured customers, with the total number of insurance policies exceeding 8 billion. It was estimated that one out of six insurance policies across the country was underwritten by the Group in 2019. The Group's GWP increased from RMB0.79 billion in 2014 to RMB14.6 billion in 2019, with a CAGR of 79.1%. In terms of total GWP, its ranking in the PRC property and casualty insurance market has risen from 43rd place in 2014 to 11th place in 2019. The Group's market share in the PRC internet property and casualty insurance market, in terms of total GWP, has increased from 1.6% in 2014 to 17.4% in 2019, and the Group has ranked 1st in the PRC internet non-auto property and casualty insurance market for six consecutive years since 2014.

The Group believes its "ZhongAn" brand is one of the best known and most trustworthy brands in the industry. Since 2015, it has been selected by KPMG and H2 Ventures to be featured in their global "Fintech 100" list, as the only selected internet insurance company from mainland China, for five consecutive years. The Group has built an image as a young and progressive brand, with a strong commitment to creating sustainable value for its customers by leveraging on technology strength. Its insurance policies per capita and premiums contribution per capita have increased year by year, with insurance policies per capita of 16.5 in 2019 and premiums contribution per capita of RMB30.1 in 2019, up from 5.4 and RMB4.0 in 2014, respectively. Many of the Group's signature insurance products, such as the Personal Clinic Policy Series, Hao Yi Bao and Baobiao Auto Insurance, have established unique brand awareness and customer mindshare in the market. The Personal Clinic Policy Series insurance product is the first health insurance policy for millions of customers in newer generations, and has promoted the ZhongAn brand among young internet users. For example, GWP generated from the Personal Clinic Policy Series, the core product in the health ecosystem, achieved a year-on-year growth of 146.4% in 2019. Moreover, the Group's technology export business is also widely recognised and has served many leading insurance companies and internet platforms in domestic and overseas markets, such as Taiping Insurance, AXA Insurance, SOMPO (one of the top three property and casualty insurance companies in Japan), NTUC Income (the largest composite insurer in Singapore) and Grab (a leading O2O platform in Southeast Asia) etc.. This has demonstrated the Group's unparalleled strength in Insuretech, thus making it an ideal partner in facilitating the digital transformation throughout the global insurance industry.

Presence in the fast-growing Insuretech industry driven by the digital transformation of the insurance value chain

The Company's establishment in 2013 reshaped the traditional insurance value chain, following which 2014 marked the year when China's internet insurance industry started rapid evolution. At present, China's internet insurance industry is entering a fast-growing period, which has given impetus to the sustainable development of the Group's business. The development of the internet economy has continued to stimulate new insurance demands. At the same time, customers' increasing insurance awareness and the rise in online purchasing habits have also driven the growth in the internet insurance industry. According to the Insurance Association of China, the GWP of the PRC internet P&C insurance industry increased from approximately RMB49.3 billion in 2017 to approximately RMB83.9 billion in 2019, representing a CAGR of 30.4%, which is significantly higher than the CAGR of 11.1% calculated from the GWP generated by all the PRC P&C insurance companies over the same period. According to the Insurance Association of China, the internet penetration rate of the PRC P&C insurance market in 2019, as measured by the percentage of GWP generated from internet P&C insurance business in relation to the GWP generated by all the P&C insurance companies, was still only at 6.4%, with meaningful room for improvement in the future.

In particular, the PRC internet non-auto P&C insurance market has become a promising sub-sector. The rapid growth and increasing diversity of internet economy have increased the demand for internet insurance and encouraged product innovation and sales. Meanwhile, the development of new technologies such as big data, cloud computing, blockchain and AI has promoted the digitalisation of traditional products and empowered product innovation, precision marketing and quality service in the internet non-auto P&C insurance sector. In addition, driven by factors such as changes in China's demographic structure and medical system in recent years, as well as increased health insurance awareness among users, the internet health insurance business has demonstrated persistent growth. From 2017 to 2019, GWP from the PRC internet non-auto P&C insurance industry increased from RMB18.63 billion to RMB56.41 billion, with a CAGR of 74.0%, and its proportion in the PRC internet P&C insurance industry increased from 37.8% to 67.3% over the same period.

At the same time, the operational improvements brought about by technology has stimulated demand for Insuretech by industry players. Currently, domestic and foreign insurance companies are actively seeking to apply various technologies to all aspects of the insurance value chain. The recent novel coronavirus (COVID-19) epidemic, while putting pressure on insurance distribution and operations, has further stimulated the demand for insurance technology and provided business opportunities for the Group's technology export business. According to estimates from iResearch, technology investment from China's insurance companies reached RMB31.9 billion in 2019, and is expected to further increase to RMB53.4 billion in 2022, with a CAGR of 18.7%.

Resilient business model supported by extensive ecosystem partnership and diversified customer touch-points

By empowering the insurance value chain with technologies and adopting an ecosystem-oriented approach, the Group integrates its products and technological strength into both of its ecosystem partners' platforms and its proprietary platform to enhance user engagement and create value for its customers. The Group's innovative and resilient business model enables it to tap into customers' unmet insurance needs, make use of diverse product portfolios to address new insurance scenarios, expand the Group's customer base, stimulate market potential and broaden the boundaries of the Insuretech market in order to achieve sustainable growth. In 2019, the Group's total GWP reached RMB14.6 billion, with a CAGR of 79.1% from 2014 to 2019.

Diversified and balanced ecosystem layout

The Group continues to focus on the five major ecosystems to provide comprehensive insurance coverage for its customers. It started with frequent interactions with a large number of customers through the lifestyle consumption and travel ecosystems to educate customers on internet insurance and increase customers' willingness to pay for such services as they become familiar with it. The Group then seizes business opportunities from cross-ecosystem users and maximises user lifetime value. Meanwhile, with the development of its health, consumer finance and auto ecosystems, the Group has expanded into the entire insurance value chain with improved brand recognition among users and increased average premium per capita, so as to create a more diversified and balanced business structure.

The GWP distribution across the Group's five major ecosystems has gradually become more balanced compared to the situation in 2014, when over 90% of its total GWP came from the lifestyle consumption ecosystem. In 2019, the GWP from the Group's health, lifestyle consumption, consumer finance, auto and travel ecosystems accounted for 33%, 25%, 21%, 9% and 9% of its total GWP respectively. Having a more balanced presence in each ecosystem enables the Group to diversify its premium structure, thus allowing it to flexibly adjust its business focus in response to different external environments and enhance the resilience of its business operations against a wider range of risks.

Extensive and long-lasting ecosystem cooperation

The Group's broad ecosystem scenarios provide users with diversified insurance products and solutions. Its brand awareness has greatly expanded the scope of its ecosystem cooperation. As at 31 December 2019, the Group has established business relationships with over 330 ecosystem partners. The extensive cooperation enables the Group to reach a large amount of long-tail customers under diverse scenarios so as to provide more inclusive insurance services.

The Group enhances strategic cooperation with its ecosystem partners in the five ecosystems by actively exploring product innovation and upgrade as well as ecosystem integration. The Group's relationships with its ecosystem partners are stable and long-lasting, and the Group has embedded increasingly innovative products and more efficient customer services into the platforms of its ecosystem partners in order to help such partners meet the insurance needs of users and enhance customer experience, which further boosts purchasing behaviour in the ecosystems. The virtuous cycle that the Group has achieved in these ecosystems creates significant value for its partners and customers, thus strengthening the Group's ecosystem cooperation and customer base.

For instance, in 2019 the Group strengthened its cooperation with Ant Financial in several business fields to jointly explore innovative insurance products and improve user experiences for the customers, so as to drive the growth of premiums across ecosystems. In the health ecosystem, the Group's cooperation with Didi Chuxing has evolved from the single critical illness insurance product initially to one-stop medical insurance services currently, which has received extensive participation of automobile owners from the Didi Chuxing platform. As at 31 December 2019, the Group had cooperated with Didi Chuxing to serve 1.8 million insured customers, with the cumulative number of insurance policies approaching approximately 1.7 billion.

Rapid development of proprietary platforms bringing in new internet scenarios and enriching customer base

In recent years, the Group's focus on building its proprietary platforms (including APP, WeChat mini programs, public accounts, official websites for handsets, and its Tmall flagship store etc.) has enabled it to continue carrying out market education under new scenarios, so as to enhance users' insurance awareness and increase sales on the Group's proprietary platforms. In 2019, the number of paying users reached 1.5 million, and GWP generated from such users increased from RMB225.1 million in 2018 to RMB1,114.4 million in 2019, representing a 395% increase. GWP generated from the Group's proprietary platforms reached 7.6% of the Group's total GWP in 2019 compared with 2.0% in 2018. In addition, approximately 24% of total GWP generated from the Personal Clinic Policy Series in 2019 was contributed by the Group's proprietary platforms.

The rapid development of the Group's proprietary platforms has promoted the brand building of ZhongAn, and is expected to enable the Group to better grasp market opportunities and achieve sustainable growth through its wide range of internet insurance products and sophisticated online user operation capabilities.

Industry-leading technological capabilities

The Group's continuous investment in and commitment to technologies enable it to maintain long-term competitiveness and differentiated advantages in Insuretech. In 2019, the Group invested RMB976.9 million in research and development activities, accounting for 6.7% of its GWP. As at 31 December 2019, the Group had a total of 1,355 engineers and technicians, representing 46.8% of its total employees. It had accumulatively filed applications for 478 patents as of 31 December 2019, including applications for 167 overseas patents. The Group's proprietary technology platform, "Wujieshan", is built on a robust cloud architecture system with advantages of stability, response speed, flexibility and scalability, and is able to support the business volume with GWP of RMB100 billion and to quickly realise automatic capacity expansion and agile iteration upon a sharp surge in business volume.

True to its mission of redefining the insurance value chain with technology, the Group empowers its insurance business with technology, which is deeply embedded into the five ecosystems. Focused on data-driven operations, the Group applies its technology to its marketing, product design, pricing and services etc. in order to address the pain points and create value for customers in the insurance business and improve its operating performance. Taking marketing for example, the Group has developed 534 user labels on its proprietary platforms based on various categories of user characteristics to achieve targeted marketing. By implementing algorithm-based guidance based on user information such as age, gender, family and purchased products, the repeated purchases rate of the Personal Clinic Policy Series through the Group's proprietary platforms in 2019 was approximately 15% (excluding renewal rate).

The Group facilitated the implementation of an automatic and intelligent business process with the application of technology. In 2019, the automation rate of the Group's underwriting and claim settlement services reached 99% and 95%, respectively; the proportion of AI application for online customer service reached over 85%, resulting in a 235% increase in total volume of online communication in the second half of 2019 compared to that of the first half of 2019. The Group's automatic testing rate for core application was 80%, and new products can be quickly launched within one to three days upon completion of registration with the regulatory authorities.

Additionally, the Group has offered customers intelligent and caring services with technology. For instance, in the auto ecosystem, the Group launched the video claim settlement service for auto insurance, enabling it to settle any claim with an amount of less than RMB10,000 in just 11 minutes on average. In the health ecosystem, the Group has also used its sophisticated intelligent underwriting system to provide patients suffering from chronic diseases with customised medical insurance with coverage amounts of RMB1 million based on more specific underwriting information provided by the customers, conditional upon actuarial results and risk control requirements.

Further, the Group has exported and monetised its proven technological capabilities by developing series of technology products that run through the entire insurance value chain, which the Group exports to clients via product licensing or a SaaS model, thereby enriching its revenue sources and enhancing the sustainability of revenue growth. In 2019, the Group recorded revenue from technology export of RMB269.7 million, representing a year-on-year increase of 139.9%. The Group had nearly 260 contracted clients and among the contracted clients who were engaged in the insurance industry in 2018, 73% purchased additional insurance system modules from the Group or ordered an upgrade on top of their existing modules in 2019. The Group's technology export business in the domestic market mainly provides solutions composed of independent modules focusing on the core system. For instance, the Group provides smart marketing solutions for Taiping Insurance and AXA Insurance to assist them in increasing efficiency of customer acquisition. The Group also provided Hengqin Life

Insurance with an integrated digital operation solution on life insurance, which has enabled Hengqin Life Insurance (established in 2016) to grow its GWP at a CAGR of over 150% in the past three years. In the overseas market, the Group mainly exports Graphene (the next-generation cloud-based distributed core insurance system) and Fusion (the insurance platform system for internet platforms) to overseas insurance and internet clients, including SOMPO in Japan, NTUC Income in Singapore and the Group's joint venture partner Grab, a leading O2O platform in Southeast Asia.

Continuously improved underwriting quality and operating efficiency

The Group has always insisted on pursuing "growth with quality" strategy and achieving cost reduction and efficiency improvement with the application of technology, thus further stabilising the Group's business operations. The Group's underwriting profitability has been improving continuously, as its combined ratio improved from 133.1% for 2017 and 120.9% for 2018 to 113.3% for 2019, and in 2019, its insurance business segment achieved a net profit of RMB7.6 million.

The Group's steady improvement in underwriting quality and operating efficiency is driven by:

(i) following its "growth with quality" strategy, the Group has kept optimising its business portfolio and improving its underwriting quality as well as operation efficiency. For instance, in 2019, the Group reduced the group health insurance business that incurred higher loss ratio, and therefore the loss ratio of the health ecosystem for 2019 decreased by 6.0 percentage points compared to that of 2018. The Group has also taken initiatives to optimise the business structure of the travel ecosystem by scaling down certain products and channels with relatively high loss ratio or channel fee ratio. As a result, the loss ratio of the travel ecosystem in 2019 decreased by 2.6 percentage points compared to that of 2018, whilst the channel fee ratio in 2019 decreased by 2.7 percentage points compared to that of 2018;

(ii) using its cross-ecosystem, multi-dimensional proprietary data and risk control systems to achieve more optimised insurance product pricing and improve risk models for enhancement of underwriting quality;

(iii) rapid development of its proprietary platforms, which has enhanced market awareness and further extended its customer reach and lifetime value of each customer by leveraging new scenarios. The Group believes that the expansion of its proprietary platform business will reduce its expense ratio in the long run; and

(iv) technology enablement to facilitate automatic and intelligent operation process, thus achieving economies of scale and optimising operation efficiency.

Technology-driven comprehensive risk management capability and healthy solvency position

The Group has established a mature, effective and comprehensive risk management system that covers insurance risk, market risk, credit risk, liquidity risk, operational risk, strategic risk and reputation risk. This risk management system actively involves supervision and scrutiny from the Board of Directors, management team, as well as various business departments. The Board of Directors has established a Risk Management Committee which is responsible for overseeing the Group's corporate governance and risk management policies and procedures. Its management team with rich experience in risk management, legal and compliance contributes to its risk management efforts. Risk management awareness and knowledge are also deeply penetrated into the Group's various business departments, so as to ensure that the Group's risk management and risk control measures are effectively implemented.

In terms of its underwriting business, the Group has used its big data analysis capabilities and machine learning techniques to assist in risk management. For instance, in the health ecosystem, the Group uses big data technology to enrich user profiles and optimise its risk control capabilities. In particular, the intelligent commercial insurance platform incubated by the Group, Nova Technology, has established connections with the systems of 1,117 hospitals and with the social medical insurance/regional medical information platforms in 11 provinces and cities in 2019. This has enabled the Group to optimise its risk control capabilities in its insurance underwriting business and claims settlement process, thus forming a closed loop for its risk management. In addition, in the lifestyle consumption and auto ecosystems, the Group has optimised its underwriting model through big data and machine learning technologies, which facilitates more accurate user profiling and pricing.

In terms of asset management, the Group has implemented comprehensive control and management over market risk, credit risk, operational risk and liquidity risk through the entire process, so as to mitigate risk exposure of investment assets. The Group's funds are mainly invested in fixed income investments. As at 31 December 2019, the Group's investment in fixed income assets and liquid assets (including cash, fixed income investments, fund investments (excluding equity related), trust and wealth management products) is 82.1% of total investment assets. In addition, 99.7% of the credit bonds the Group held had a credit rating of AA and above as at 31 December 2019.

The Group has formed its risk-oriented solvency management system by taking the initiative to strengthen capital planning and forecasting capabilities. The Group has sufficient capital reserves with core tier one capital of RMB14.6 billion as at 31 December 2019. Its core solvency margin ratio was 502% and its comprehensive solvency ratio was 502% as at 31 December 2019, respectively, far exceeding the minimum standards of 75% and 150%, respectively imposed by regulatory requirements. In addition, the Company maintains a strong credit rating, with the latest Moody's rating being Baa1 and rating outlook being stable.

Visionary management team and entrepreneurial corporate culture with support from shareholders

The Group's management team has over ten years of experience and knowledge in the fields of technology, insurance, risk management and financial management, and has in-depth industry insights, outstanding execution capability and strong commitment in driving the success of the Group. The Group's founders and senior management have nurtured a unique corporate culture of entrepreneurship, innovation and team work with a goal to revolutionise China's insurance market. The Group sets up specific KPIs for different internal departments, and emphasises the importance of technology innovation and professional financial know-how in its daily operation. Its lean start-up style organisational structure encourages product managers to take more responsibilities and enhance operational efficiency. Moreover, a majority of the Group's mid-level management team has extensive working experience in China's leading technology companies such as Alibaba, or financial service companies such as Ping An Group, and brings to the Group sophisticated operational experience.

At the same time, the Group's position as a leading Insuretech company in China forms a natural strategic fit with its major shareholders (including Ant Financial, Tencent and Ping An Group) in terms of business and corporate culture, which enables the Group to jointly develop insurance products and ecosystem scenarios, as well as to create mutually beneficial cooperation models with its major shareholders. For example, the Group has in-depth cooperation with Ant Financial in various ecosystems including lifestyle consumption, health and auto insurance, and they jointly explore opportunities to provide users with innovative insurance products and user experience. In particular, the Group's technological strength in product innovation and upgrade, risk management and marketing is used to provide comprehensive protection and a pleasant user experience for users of Ant Financial and Alibaba ecosystems. Additionally, based on the coinsurance model jointly developed with Ping An P&C which was adopted for the "Baobiao Auto Insurance", the Group connects with internet platforms and the automotive aftermarket service channels by leveraging on its own technological strength to acquire customers, while Ping An P&C leveraged on its extensive offline resources to provide high quality claim settlement services, thus achieving win-win cooperation between both parties. The Group also cooperates with Tencent to sell auto insurance products through the WeSure platform operated by Tencent.

THE GROUP'S STRATEGIES

The Group embraces an "Insurance + Technology" dual engine strategy by integrating technologies into the entire insurance value chain. Upholding the principle of "growth with quality", it plans to incorporate technology development and innovation into the insurance value chain and continuously optimise underwriting efficiency and user experience while commercialising its insurance technology strengths in domestic and overseas markets, so as to promote the digital transformation of the insurance industry. Specifically, the Group plans to implement the following strategies:

Focus on growth with quality and technology empowerment to continuously improve underwriting efficiency and profitability

The Group aims to focus on technology empowerment and businesses with long-term value by deepening cooperation with strategic partners and proactively exploring the development of its proprietary platforms. In addition, the Group will continue to improve user experience, operational efficiency and underwriting profitability by leveraging on enriched user profiles, optimised risk control capabilities and enhanced technology empowerment.

Develop proprietary platforms and enhance the brand recognition of ZhongAn

The Group aims to further improve its proprietary platforms, leveraging its technology expertise in AI, big data, cloud computing and mature internet user management capabilities, to strengthen users' insurance awareness and generate sales. The Group's proprietary platforms provide users with one-stop insurance and value-added services, so as to enhance user loyalty, strengthen users' perception of the ZhongAn brand and improve users' long-term value.

Strengthen data analytic capabilities and refine operation management system to provide automatic and intelligent user experience

The Group strives to apply data analysis to improve the automation and intelligence level of the entire operation process. For marketing, the Group will continue to achieve real-time monitoring and intelligent optimisation of marketing efficiency and underwriting quality under new scenarios. For pricing, the Group will continue to optimise the pricing model by leveraging on its machine learning platform and automatic assessment system. For customer services, the Group will continue to improve the AI application rate and automation level of telephone customer service process and achieve integration with other online services.

Scale up domestic and overseas Insuretech presence to facilitate the digital transformation of the insurance industry

The Group will continue to increase R&D investment in advanced Insuretech and fintech. Leveraging on its experience and expertise in internet insurance, technology export, virtual bank and other core businesses and sticking to its user-oriented approach, the Group is committed to creating a benchmark business model and establishing advanced technologies in insurance, banking and other financial sectors, so as to facilitate the digital transformation of the industry.

Improve the risk-oriented solvency management system and enhance comprehensive risk management capability

The Group will continue to improve its risk-oriented solvency management system by taking the initiative to strengthen capital budgeting and forecasting capabilities and systematically enhance the monitoring of risk control indicators. Besides, the Group plans to fully utilise the risk management tools and technologies as well as tools for comprehensive budgeting, asset and liability management, capital planning and allocation, stress testing and risk performance assessment, so as to realise early implementation, application and integration of risk management in the course of business operation. The Group will also make great efforts to further refine the granularity of comprehensive risk controls, sort out risk distribution and improve risk management efficiency, so as to support the implementation of business decisions and strategies of the Group.

Enhance capabilities in asset allocation, investment research and active management

The Group will continue to strengthen asset and investment management capabilities to achieve steady asset appreciation in the medium and long run. Meanwhile, the Group remains committed to optimising its investment research capabilities and establishing a comprehensive research framework by continuously optimising its capabilities in asset and liability management, asset allocation, industry analysis, investment targets screening and investment indicator systems to achieve an intuitive, quantitative and insightful profile of investment activities. In addition, the Group will continue to improve the comprehensive risk management system, strengthen its ex-ante risk management and penetration management, and establish its risk management system with a focus on credit risk management, market risk management, operational risk management and legal risk prevention and control, so as to ensure that the risks associated with asset investments are under control.

THE GROUP'S INNOVATIVE BUSINESS MODEL

Ecosystem-oriented insurance products and solutions (the "B2B2C" model)

The Group designs and offers ecosystem-oriented insurance products and solutions through scenario-based settings, and embeds its products into its ecosystem partners' platforms (i.e. the "B2B2C" model). Therefore, its customers enjoy a simple insurance experience in the consumption scenario. The Group accumulates customer data originating from the cooperation with a number of its ecosystem partners when it offers its insurance products and solutions. The Group focuses on the customers' internet life, and based on the in-depth and comprehensive understanding of customer behaviours, it develops innovative products and solutions, offers dynamic pricing and automated claim settlement, and ensures effective risk management. Its advanced technologies and core competencies empower its innovative business model and distinguish the Group from its competitors.

Development of proprietary platforms

The Group has also been using original promotion materials to develop its proprietary distribution platforms (including APP, WeChat mini programs, public accounts, official websites for handsets, and Tmall flagship store etc.). The Group constantly carries out market education activities under new scenarios, so as to enhance users' insurance awareness and attract users to purchase insurance products through its proprietary platforms. In addition, the Group seeks cross-selling opportunities among customers on proprietary platforms and thus maximises customers' lifetime value. The Group has developed 534 user labels on its proprietary platforms based on various categories of user characteristics. By implementing algorithm-based guidance based on user information such as age, gender, family and purchased products, the repeated purchases rate of the Personal Clinic Policy Series through the Group's proprietary platforms in 2019 was approximately 15% (excluding renewal rate).

Development of technology export business

The Group develops and exports its advanced technology strengths, which it has proved and enhanced through its own operation of insurance business, to domestic and overseas clients, including insurance companies and internet platforms, who intend to expand into the internet insurance sector, so as to facilitate digital transformation of the insurance industry. In 2019, the Group achieved rapid development in its technology export business with a substantial amount of projects carried out in the markets home and abroad, demonstrating the advantages of the Group's technology export capability.

THE GROUP'S ECOSYSTEMS, INSURANCE PRODUCTS AND OTHER VALUE-ADDED SOLUTIONS

Overview of the Group's Ecosystems

The Group's insurance products and solutions are primarily offered in the context of five major ecosystems, namely health, lifestyle consumption, consumer finance, auto, and travel ecosystems.

The following table sets forth a breakdown of the Group's GWP by ecosystem for the periods indicated:

	For the year ended 31 December		
Ecosystems	**2017**	**2018**	**2019**
		(RMB'000)	
Health	1,204,185	2,868,354	4,806,042
Lifestyle consumption	1,787,234	1,616,090	3,729,375
Consumer finance	1,033,762	3,520,304	3,090,982
Auto	78,901	1,149,173	1,263,719
Travel	1,436,350	1,460,423	1,302,490
Others	414,043	641,374	436,981
Total	**5,954,475**	**11,255,718**	**14,629,589**

Health ecosystem

Because of the aging population and increased disposable income in China, health ecosystem has become one of the Group's key focuses. The Group provides health insurance protection to its customers by offering accessible, easy-to-understand and affordable insurance solutions and value-added services through the internet, with a focus on individual insurance products. In 2019, the Group provided health insurance to approximately 16.7 million insured customers.

The Group proactively explores cooperation with innovative internet platforms (such as Alipay and iyunbao), and also sells health insurance products on its proprietary platforms, including its APP, WeChat mini programs, public accounts, official websites for handsets and its Tmall flagship store. The Group's innovative individual insurance product brands, including Personal Clinic Policy Series (尊享e生), Walk to Wellness Policy (步步保) and Didi Automobile Owner Insurance Plan (滴滴車主保障計劃), have become major products marketed by many ecosystem partners. In particular, the Group's mid-end health insurance product, the Personal Clinic Policy Series, provides illness insurance protections and medical benefits during the policy period, which is one year from the effective date of the policy and is renewable. The Group has also rolled out 15 iterations of this product to satisfy customers' differentiated demands. During the policy period, any and all expenses exceeding the deductible incurred in tier-two or above hospitals in China in connection with ordinary illnesses or malignant tumour diseases, including clinic fees, medical treatment fees, medicine expenses, medical operation fees, meal charges and bed service fees are fully reimbursed. In 2019, the Group recorded RMB4,311.1 million in GWP generated from the Personal Clinic Policy Series, representing a year-on-year growth of 146.4% and accounting for 89.7% of total GWP generated from the health ecosystem business. The Group also cooperates with wearable device manufacturers such as Huawei HiHealth to jointly launch the Walk to Wellness Policy and obtain access to the exercise data of 32 million users.

Furthermore, by constantly upgrading its leading customised services (express channel for critical illnesses, medical treatment in Japan, specific medicine for tumours, etc.) and exploring health insurance products for chronic illnesses and sub-health customers, the Group strives to satisfy various needs of different customers and establish its distinctive advantage with differentiated products. Whilst driving the growth of the health insurance business, the Group establishes a closed-loop health ecosystem, providing users with one-stop services covering disease prevention, health management, medical services, insurance coverage and expeditious claim settlement services. Its internet hospital was officially launched in December 2019, and the Group cooperates with third-party medical groups to provide users with online medical advance services, and has medicine delivered to users' doorstep after completing online diagnoses and obtaining an electronic prescription given by the doctors, allowing the users to receive medical treatment for minor illnesses without leaving their homes. Amid the outbreak of COVID-19 at the beginning of 2020, the Group provided online medical advice services to all users free of charge, and also joined hands with third parties to provide users with public welfare psychological aid, which helped to enhance brand reputation among users.

Leveraging on the "Nova Technology" intelligent commercial insurance platform incubated by the Group and with authorisation from customers, the Group has achieved direct connection with medical information databases. As at 31 December 2019, the Group had achieved direct connection with the systems of 1,117 hospitals in 28 provinces and with the social medical insurance/regional medical information platforms of 11 provinces and cities.

Through consolidation and analysis of such data, the Group's risk management capability in underwriting and claim management of its insurance business has improved, enabling the Group to provide customers with a more convenient and efficient claim settlement experience.

For the years ended 31 December 2017, 2018 and 2019, the Group recorded GWP of RMB1,204.2 million, RMB2,868.4 million and RMB4,806.0 million, respectively, in the health ecosystem. The Group's loss ratio for the health ecosystem was 57.7% in 2017, 59.0% in 2018 and 53.0% in 2019, and its channel fee ratio was 24.4% in 2017, 24.1% in 2018 and 20.8% in 2019.

Lifestyle consumption ecosystem

China's retail industry has experienced substantial growth as a result of rising disposable income and increased urbanisation. Due to China's large population, the wide variety of consumer behaviours and increasing purchasing power across the country, online retail consumption has been growing significantly. The Group provides protection to cover risks associated with product return, product quality, logistics, post-sale services and merchant security deposits for well-known e-commerce platforms in China, such as Taobao, Tmall and Mogujie, as well as consumer electronic platforms such as Dajiang, occupying a leading position in the market. In 2019, the Group served approximately 440 million insured customers with 16.5 policies per capita in the lifestyle consumption ecosystem.

In the lifestyle consumption ecosystem, the Group mainly sells its *Shipping Return Policy*, *Merchant Performance Bond Insurance*, *Phone Accident Policy* and *Drone Accident Policy* through its ecosystem partners and proprietary platforms. The Group also continues to enlarge its product offering in the lifestyle consumption ecosystem and recently launched its *Pet Accident Insurance Policy* and *Pet Healthcare Insurance Policy* to meet users' emerging demands. Leveraging on its technology and innovation strengths regarding product upgrading, risk management, marketing and user management, the Group has intensified its cooperation with Ant Financial in several business fields to jointly explore innovative insurance products and improve user experience for the customers, so as to drive the growth of the premiums of the lifestyle consumption ecosystem. In 2019, the Group extended its shipping return policy to users in North America, Australia and the European countries, which helped overseas customers of Alibaba solve difficulties in returning products purchased from China through AliExpress. In the future, the Group will continue to work with ecosystem partners to proactively explore product upgrades and innovation under the e-commerce scenarios by enhancing cooperation and improving underwriting quality, with an aim to identify any unsolved deficiencies and provide comprehensive insurance solutions.

For the years ended 31 December 2017, 2018 and 2019, the Group recorded GWP of RMB1,787.2 million, RMB1,616.1 million and RMB3,729.4 million, respectively, in the lifestyle consumption ecosystem. The Group's loss ratio for the lifestyle consumption ecosystem was 71.2% in 2017, 74.8% in 2018 and 75.5% in 2019, and its channel fee ratio was 21.6% in 2017, 19.6% in 2018 and 18.2% in 2019.

Consumer finance ecosystem

The fast growth of retail consumption and the increasing consumer finance demand in China have created a strong market for credit guarantee insurance. However, the credit infrastructure in China is currently underdeveloped due to the lack of complete credit information. Leveraging its cutting-edge technology, risk control, data and other technology strengths, the Group provides customers with credit guarantee insurance and solutions in cooperation with more than 100 licensed financial institutions, and has developed leading technologies, big data risk control as well as fund and asset matching capability.

The Group has expanded its cooperation with various internet scenario platforms, such as Bestpay, Wo Wallet and Cmpay under the telecommunication scenarios and Secoo under the e-commerce scenarios, and has also provided consumer finance solutions to selected leading internet finance platforms, such as X Financial and Lexin, by way of joint risk control and joint scenario-based operation. The funding providers that cooperate with the Group are mainly licensed financial institutions. The Group focuses on small ticket, dispersed and short-term internet consumer finance assets. It sets the insurance premium rates based on individual risk profile of the underlying assets and underwrites the risk for the underlying assets with its credit guarantee insurance products. In 2019, the term of insurance policies in the Group's consumer finance ecosystem was one year or less, and the amount of a single batch of borrowings by customers in the consumer finance ecosystem was less than RMB6,000. The actual annualised insurance premium rate (as a percentage of lending amount) was mostly within the range of 6% to 12%. The Group's risk control penetrates the underlying assets, and the Group has implemented real-time big data risk control on every batch of borrowings by connecting the systems of its cooperated platforms with the financial institutions, thereby enabling the Group to make a real-time decision to underwrite. In order to cope with the macro-economic risks, in particular the impact of overall slowdown in the economy on borrower default risk, the Group integrates the external macro-economy alert with in-house credit insurance risk management strategy in a dynamic manner, and applies a wide range of consumer finance risk measurement models to provide differentiated credit insurance management strategies for different customer groups based on the characteristics of economic cycle and the stage of customers' life cycle, so as to mitigate the negative impact of fluctuations in the economy on credit risk.

In 2019, the Group served 18 million customers in the consumer finance ecosystem. The Group's key targeted customers are the young near-prime group in China at an age of 25 to 35 with good education and strong consumption demands, who are underserved by banks when applying for credit facilities due to lack of sufficient historical credit record as a result of short working history with stable income. Due to the lack of complete and real-time credit record information, it is difficult for certain traditional financial institutions to carry out credit assessment on these people. The Group mainly provides credit facilities for borrowers who have a credit record with the central bank credit reference system and have had difficulties in increasing credit to meet their financing needs. Through the Group's consumer finance ecosystem, the banks may grant credit facility to these customer groups, which will, to a large extent, improve the compatibility, openness and inclusiveness of the Chinese financial market.

For the years ended 31 December 2017, 2018 and 2019, the Group recorded GWP of RMB1,033.8 million, RMB3,520.3 million and RMB3,091.0 million, respectively, in the consumer finance ecosystem. In 2019, amid the downward pressure of the macro economy, a more stringent regulatory environment and increasing risks faced by the consumer finance sector, the Group took the initiative to raise its risk control standards, implement strict control over the performance of the underlying assets, increase the entry barrier for cooperation with online financial platforms, and reduce business scale. The Group's loss ratio for the consumer finance ecosystem was 104.9% in 2017, 72.3% in 2018 and 97.0% in 2019, and its channel fee ratio was 12.0% in 2017, 18.4% in 2018 and 12.0% in 2019.

Auto ecosystem

China is the largest auto market in the world in 2019 in terms of car sales volume, according to Wind Information, and auto insurance is the largest component of the property and casualty insurance market in China. The development of the transportation sharing economy and the internet of vehicles create a natural incubator for technology-driven auto insurance. The Group is entitled to underwrite auto insurance products across all regions in China.

With the launch of the "Baobiao Auto Insurance" product, the Group offers auto insurance products and solutions as well as value-added services to protect customers against vehicle damage, personal injury and death, and vehicle theft and robbery. Based on the coinsurance model jointly developed with Ping An P&C which was adopted for the "Baobiao Auto Insurance", the Group connects with internet platforms and the automotive aftermarket service channels by leveraging on its own technology strength to acquire customers, while Ping An P&C leverages on its extensive offline resources to provide the same quality claim settlement services as those offered to its own customers.

The Group had approximately 1 million insured customers as of 31 December 2019 in the auto ecosystem, and the customers are mainly male aged 30 to 40 in second- and third-tier cities. Its major ecosystem partners include internet platforms and automotive aftermarket service providers. Regarding cooperation with internet platforms, the Group has expanded along the auto industry value chain and built up a great quantity of user insights and internet operating capabilities by continuously enhancing its cooperation with all kinds of ecosystem partners, such as auto-retail platforms like Guazi (瓜子) and Maodou (毛豆) and automobile financial platforms like Cango (燦谷). The Group has also connected with offline automotive aftermarkets and other channels, such as auto detailing shops and automobile repair shops, through the SaaS platform and APIs, thereby allowing its products to efficiently reach more customers without having to invest a large amount of human resources to connect and maintain the channels. In addition, the Group joined hands with SAIC Motor Corporation Limited and other automobile manufacturers in exploration of auto insurance big data application.

Leveraging on the big data from in-house and external sources and machine learning platforms, the Group was able to set the price more accurately. It has established a big data alliance with cooperation partners such as insurance companies and internet of vehicles, and connected over 20 million drive tag data. Based on these data, the Group has achieved in-house and external big data information sharing, machine learning and model iteration by leveraging on the machine learning and scenario application platform Data Cube (數據魔方), which was independently developed by the Group.

The Group continued to increase investments in video claim settlement service for auto insurance in 2019. With the application of various technologies such as the Optical Character Recognition (OCR) and AI damage assessment, video claim settlement services help to improve customer experience and process efficiency. The Group consolidated in-house and external technologies and data to streamline the claim settlement process into the combination of one online claim adjuster and one set of AI service. Users of Baobiao Auto Insurance are provided with online one-to-one instructions when they report a case, and the average claim settlement time for any case within the settlement amount of less than RMB10,000 was reduced to 11 minutes, reducing the labour costs by nearly 37% as compared to that incurred by manual process, thus "better serving customers with efficient claim settlement services". With the extensive rollout of 5G technology in the future, the Group's capability of video claim settlement will make communication via video even smoother and facilitate direct communication without delay and labour costs.

For the years ended 31 December 2017, 2018 and 2019, the Group recorded GWP of RMB78.9 million, RMB1,149.2 million and RMB1,263.7 million respectively. The Group's loss ratio for the auto ecosystem was 145.5% in 2017, 58.9% in 2018 and 54.7% in 2019, and its channel fee ratio was 39.1% in 2017, 33.2% in 2018 and 25.7% in 2019.

Travel ecosystem

People travel much more frequently in recent years than before for both business and leisure, which drives the demand for travel-related insurance. The Group has witnessed the strong needs and provided travel risk insurance to tourists and business travellers for unexpected emergencies such as flight accidents, flight delays, travel accidents and flight or hotel cancellations. The Group takes advantage of the opportunities emerging from travel ecosystem to offer innovative and simple solutions for travellers in every aspect of their travel plans through cooperation with major Chinese online travel agencies, airlines and offline travel agencies such as Ctrip, Fliggy and Air China etc. In 2019, the Group provided services to around 31.8 million insured customers.

For the years ended 31 December 2017, 2018 and 2019, the Group recorded GWP of RMB1,436.4 million, RMB1,460.4 million and RMB1,302.5 million, respectively. The decline in GWP in 2019 was attributed to the Group's initiatives to optimise the business structure of the travel ecosystem, and scale down certain products and channels with relatively high loss ratio or channel fee ratio. The Group's loss ratio was 22.5% in 2017, 9.7% in 2018 and 7.1% in 2019, and its channel fee ratio was 81.4% in 2017, 89.2% in 2018 and 86.5% in 2019.

The Group's Combined Ratio Analysis

Due to the Group's persistent pursuit for growth with quality and the effect of cost reduction and efficiency improvement driven by technology, the operating indicators of the Group's underwriting business achieved significant improvement. The following table sets forth the expense, loss and combined ratio for the periods indicated:

	For the year ended 31 December		
	2017	**2018**	**2019**
		(percentage (%))	
Loss ratio	59.5	59.9	67.4
Expense ratio	73.6	61.0	45.9
Combined ratio	133.1	120.9	113.3

The Group's Insured Customers

The Group has accumulated a massive customer base. During 2019, the Group provided services to 486 million insured customers with the total number of insurance policies exceeding 8 billion. The Group believes that as it continues to expand and deepen its cooperation with its ecosystem partners, develop its proprietary platforms and promote refined operations through technology to satisfy its customers, its customer base will continue to expand.

The Group's products and services are popular among the young generation, with 54.9% of its insured customers in 2019 being under the age of 35. Its customers are distributed across different geographic areas in China largely in line with the distribution of internet users in China. The Group has attracted customers from more affluent urban areas in China, and also has observed an increasing penetration in smaller, non-first tier cities. For the years ended 31 December 2017, 2018 and 2019, the Group's top five policyholders combined accounted for approximately 9.5%, 10.3% and 2.4% of its total GWP, respectively.

The Group's Insurance Sales Channels

Ecosystem partners

The Group primarily embeds its insurance products into the platforms of its ecosystem partners. It markets and sells its products to customers in different consumption scenarios. As the Group embeds its products into its ecosystem partners' platforms, its customers enjoy a simple insurance experience in the diverse consumption scenarios. The Group's ecosystem partners mainly include cooperative platforms, direct sales business partners and partners connected to its open platform. Cooperative platforms mainly include platforms with which the Group jointly develops insurance products to address the needs of users on these platforms and/or embed the Group's insurance products in the consumption scenarios on these platforms as value-added features for their users. In 2019, the Group enhanced and deepened strategic cooperation with ecosystem partners such as Ant Financial to actively explore product innovation and upgrade.

The Group's ecosystem partners generally charge the Group handling charges and commissions or technical service fees for the sale of its products through their platforms. Technical service fees are charged for various types of services depending on the particular ecosystem partner, including, among others, product development, account security management, system maintenance and upgrade, and software support. Handling charges and commissions or technical service fees charged by most of the Group's ecosystem partners are based on fixed percentages of GWP generated from the relevant products, and the fee rates vary by products. In the lifestyle consumption ecosystem, for certain products embedded into the platforms of Alibaba, Ant Financial and their subsidiaries, technical service fees also take into account the amount of claims settled. In addition, the fee arrangements are usually on a short-term basis and the terms will be re-negotiated every one to two years. The Group negotiates the rates of handling charges and commissions and technical service fees with its ecosystem partners based on the service quality and capacity of its ecosystem partners. Factors taken into consideration include GWP collected and the number and quality of the customers acquired through the platforms of the Group's ecosystem partners.

Insurance agents

In addition to its ecosystem partners' platforms, the Group sells certain insurance products through third-party insurance agents. For example, a portion of the GWP from the health and auto ecosystems is generated through cooperation with third-party insurance agents. The Group generally pays insurance agents handling charges and commissions in proportion to the GWP generated.

The Group's proprietary platforms

In addition to distributing through its ecosystem partners' platforms or other third party channels, the Group develops its proprietary platforms that allow users to purchase insurance products directly from the Group via APP, WeChat mini programs, public accounts, official websites for handsets, and its Tmall flagship store etc.

The Group carried out market education under new online scenarios on its proprietary platforms, including forwarding advertorials on insurance knowledge, broadcasting of short videos on insurance education and promotion campaigns. The Group also directs users to its platforms for better services by encouraging them to obtain one-stop services covering insurance knowledge, health management and automotive aftermarket services through the proprietary platforms. By furnishing an engaging user experience, the Group believes that its direct sales can increase user loyalty and stickiness, realise cross-selling and increase its customers' lifetime value. In 2019, GWP generated through the Group's proprietary platforms exceeded RMB1 billion. In particular, GWP generated from the Personal Clinic Policy Series sold through the Group's proprietary platforms was 7.6 times that of 2018, and the repeated purchases rate of the Personal Clinic Policy Series sold through such proprietary platforms in 2019 was approximately 15% (excluding renewal rate).

In addition, with the expansion of its proprietary platforms, the Group believes that it will be able to directly serve more customers and reduce expense ratio in the long run, especially with the relatively lower renewal expense in the future, which will significantly dilute customer acquisition costs occurred in previous period.

THE GROUP'S TECHNOLOGY EXPORT BUSINESS

The Group develops and exports its advanced technologies, which it has proved and enhanced through its own operation of insurance business to domestic and overseas clients, including insurance companies and internet platforms, who intend to expand into the internet insurance sector, aiming to improve the operation efficiency and business quality of all participants along the insurance value chain, and assist them in digital transformation.

In July 2016, the Company established a wholly-owned subsidiary in China, ZhongAn Technology, which focuses on the research and development of cutting-edge financial technologies. In addition to supporting the Group's own research and development efforts, ZhongAn Technology aims to provide technology solutions to the Group's business partners and other industry participants. By integrating AI, blockchain, cloud computing and big data capabilities, the Group envisions its technology solutions to play an important role in further promoting the information system in the insurance and financial services industries. The Group strives to make ZhongAn Technology a leader in applying blockchain and AI technologies and the incubator for other advanced technologies in the future.

On 8 December 2017, the Company announced the establishment of a joint venture company in Hong Kong — ZhongAn Technologies International Group Limited — acting as a platform for ZhongAn Technology to explore international business development, cooperation and investment opportunities in relation to fintech and Insuretech businesses in overseas markets. Currently, ZhongAn Technology holds 51% of voting rights of ZhongAn Technologies International Group Limited, with the remaining 49% held by Sinolink Worldwide Holdings Limited.

In 2019, the Group had nearly 260 contracted clients and among the contracted clients who were engaged in the insurance industry in 2018, 73% of them purchased additional insurance system modules from the Group or ordered an upgrade on top of their existing modules in 2019. The Group charges its customers technology service fees through product licensing fee, customised service fee and by applying a SaaS model (for example, fees charged at a certain percentage of income or according to user engagement). The Group recorded revenue from technology export of RMB269.7 million in 2019, representing a year-on-year increase of 139.9%.

The Group's insurance system products provide participants in the insurance industry with technology products and scenario-based solutions to solve deficiencies in various aspects of the insurance business operation, covering marketing, risk control, product design, system operation and maintenance as well as core support. Existing products mainly include cloud-based distributed core systems such as Graphene (the digital core system for insurance companies) and Fusion (the insurance platform system for internet platforms), and the core business production series such as the insurance middle-platform applications (including the local version and SaaS version), X-Man (the intelligent marketing solutions), Ma Shang Pei (the internet auto insurance claim settlement system) and Che Dian Tong (the one-stop intelligent auto insurance operating system), facilitating the expeditious integration with internet insurance business for the clients. The Group also develops its business growth series including the data analysis for the user operation platform and user growth platform, helping insurance companies and insurance brokers and agents build a marketing closed loop to drive user growth with one-stop services. In addition, the Group develops its business support series including the system security storage computing, system intelligent operation and maintenance and information security products, providing stable, safe and compliant support services for the clients in their pursuit of rapid business development. Further, the Group provides a wide variety of solutions for clients in the insurance ecosystem such as the intelligent marketing solutions and intelligent risk control solutions, helping clients achieve a quick rollout of such related businesses, seize market opportunities, minimise operation costs and improve operation efficiency and business quality.

The Group's technology export business in the domestic market mainly provides solutions composed of independent modules focusing on the core system. For instance, the Group developed an integrated digital operation solution on life insurance for Hengqin Life Insurance (橫琴人壽). Leveraging on such digital business-supported platform, Hengqin Life Insurance, which was founded at the end of

2016, has recorded a CAGR of over 150% for premiums over the past three years. The Group also developed an intelligent marketing solution for Evergrande Life Insurance (恒大人壽) to help it optimise marketing strategies and improve accurate business recommendations by adopting multidimensional data analysis and exploration approach, and achieve an improvement of approximately 30% in its new user acquisition cost and existing customer renewal rate by using intelligent marketing approach to reach targeted customers. Furthermore, the Group provided Dinghe Property Insurance (鼎和財險) with its insurance middle-platform application and streamlined its existing core system, achieving outstanding online digital service capability by developing a middle-platform system featured with advanced technology, high utilisation rate, high concurrency, excellent flexibility and scalability.

Meanwhile, the Group's overseas strategy showed positive results in 2019. The Group joined hands with its clients to establish insurance platforms based on internet ecosystems and the underlying functions required, in a joint effort to provide users with new, simple and affordable insurance protection. In 2019, the Group provided Graphene to overseas insurance company clients, including SOMPO (one of the top three property and casualty insurance companies in Japan) and NTUC Income (the largest comprehensive insurer in Singapore) to establish digital transformation solutions. In January 2019, the Group joined hands with Grab, a leading O2O platform in Southeast Asia, to form a joint venture company, "GrabInsure", to jointly explore the internet insurance distribution business in Southeast Asia. The Group has established Fusion, the digital insurance distribution platform, and provides back-office technology support for GrabInsure. Meanwhile, GrabInsure joins hands with insurance partners across the globe to provide all kinds of customised insurance products for the tens of millions of Grab users in Southeast Asia by exporting sophisticated Insuretech solutions and leading business models in China. In 2019, over 5 million policies were issued under the support of Fusion through the platform of GrabInsure.

THE GROUP'S TECHNOLOGY

The Group believes its proprietary infrastructure and technologies are critical to its success. It has made significant investments in developing cutting-edge technologies including AI, blockchain, cloud computing, big data and life science, with an aim to reshape every aspect of the insurance value chain through technology.

For the years ended 31 December 2017, 2018 and 2019, the Group invested RMB518.1 million, RMB852.1 million and RMB976.9 million in research and development activities respectively, representing 8.7%, 7.6% and 6.7% of its GWP in the respective periods. It has obtained and is in the process of obtaining intellectual property rights for some of its technologies. The Group had accumulatively filed applications for 478 patents as of 31 December 2019, including applications for 167 overseas patents.

The Group is one of the few insurance companies in China that operate their core insurance systems fully on cloud-based platforms. It has further developed open platforms in order to connect with the growing number of ecosystem partners. It also applies big data analytics and AI in marketing, underwriting, pricing, claim processing and settlement.

Cloud-based Core System and Open Platform

The Group has developed a secure, efficient and cost-effective cloud-based core system, Wujieshan, to operate its insurance business. Cloud-based technology allows the Group to process a large amount of complicated data in-house, which significantly reduces cost and improves operation efficiency. In 2019, the Group underwent an overall upgrade of its core insurance system from Wujieshan version 1.0 to 2.0, which has the following advantages:

(i) there is an insurance business middle office, which creates various functions for the front office that are reusable and provide quick response, so as to accelerate the innovation of the front office;

(ii) the structure is upgraded with greater capacity and performance that can support the business volume with a GWP of RMB100 billion;

(iii) there is improvement in the policy portfolio and process, so as to improve operation capability. For example, there is a 55% decrease in the number of policy types, resulting in a decrease of 30% in the number of policy projects that are subject to approval; and

(iv) the new system achieves the microservices-based and containerised management at the level of technical structure, enabling the system to quickly realise automatic capacity expansion upon a sharp surge in business volume and achieve agile development and iteration.

The Group's proprietary core operating system Wujieshan is highly secured. The Group backs up its data at different locations by different cloud server providers simultaneously. Its proprietary security system analyses and predicts malicious attack. The response time of the Group's cloud system is shortened to within five seconds, resulting in enhanced responsiveness to any challenges or attacks.

The Group's open platform enables it to embed insurance products to various ecosystem partners' platforms through different technologies and mechanisms, including standard APIs, embedded page component, and software development kit embedded into the Group's operating system. Through its open platform, the Group is able to cooperate with more ecosystem partners in an efficient manner. In addition to serving its insurance business, the Group's open platform also provides data related risk management services to its ecosystem partners. The Group plans to leverage its open platform and advanced technologies underlying this platform to help more customers enjoy comprehensive insurance protections in various aspects of their lives.

Big Data Analytics

Data is one of the most important assets for insurance companies. Throughout the insurance value chain, insurance companies face decisions that rely on the analysis of financial, actuarial, claims, risk, consumer and other types of data. New analytical methods allow insurance companies to process these huge amounts of so far untapped data. Predictive and statistical modelling allows insurance companies to predict what may happen in the future by measuring and understanding past behaviours and patterns.

Through its business in various ecosystems, the Group has accumulated big data from its growing customer base. Given its ecosystem-oriented innovation and scenario-based settings, the Group has access to valuable data of customers' behaviours and consumption patterns in their everyday lives. During the underwriting process, the Group gains access to personal and transactional data of its customers that are necessary for underwriting insurance policies and use such data in the ordinary course of its business. The Group also collects anonymised, non-confidential user behaviours and patterns and source data from third-party data providers, which are not linked to specific individual users. Leveraging on the unique and large amount of data the Group has gathered, combined with its internally developed machine learning engine and analytics models, the Group is able to efficiently and accurately collect and analyse a large amount of user data to insurance related profiles.

On the customer end, the Group utilises its big data capability on behaviour predictions, customer profiling, targeted marketing and user experience optimisation. For example, the Group is able to recommend its insurance products in the consumption scenarios based on the customers' pattern to accurately address their pain points to improve their overall experience. The Group also applies its data analytic in its product design process, including product iteration, dynamic pricing, real-time fraud detection, claim settlement and customer services. Its sophisticated data insights and data analytics capabilities have driven its rapid growth and improved its operational efficiency. The value of its rich data increases exponentially with its strong emphasis in data analytics. The Group's accurate and comprehensive user profiling enables it to continuously enhance user experience, improve its ability to attract and retain customers and maximise its profitability. On its proprietary platforms, the Group has developed 534 user labels based on various categories of user characteristics by implementing algorithm-based guidance based on user information such as age, gender, family and products purchased.

AI/Machine Learning

The insurance industry is ripe for further automation as it revolves primarily around analysis and processing of information. The availability of advanced AI technology brings significant value to insurance companies. The Group applies AI in multiple areas, such as identity verification, image recognition, model iteration and customer service, to improve its risk management, operating efficiencies and customer satisfaction.

For example, the Group utilises machine learning and neuro-linguistic programming to develop its automated customer service chatbot, which has significantly improved customer experience and reduced the Group's insurance operating expenses. The Group's "ZhongAn Answer (眾安精靈)" insurance robo-advisor on its APP is the first intention identification model in the PRC insurance industry with a recognition accuracy rate of 96% and matching accuracy rate of 96%. This system can also serve 300,000 users at its peak in a single day. Most significantly, the Group has integrated its AI capabilities extensively to support risk management. For example, the Group was able to achieve automation in its real-time risk control and dynamic underwriting system to achieve more accurate pricing specifically addressing risks faced by the Group. Its user profiling through graph mining enables it to provide accurate predictive recommendation to its customers. The Group is able to build a customer white list based on the analysis. Its advanced image recognition technology enables the Group to design fast and effective anti-fraud measures, which provide the Group with a unique competitive advantage in optimising its claims process for its innovative products. Its real-time risk management system enabled by AI technology makes it possible for the Group to obtain a holistic understanding of customers and address fraud and default risks throughout a product lifecycle, from product design, underwriting, monitoring and claim settlement.

Nova Technology, an intelligent commercial insurance platform incubated by the Group, has been applied to the health ecosystem and achieved direct connection with the systems of 1,117 hospitals in 28 provinces and with the social medical insurance/regional medical information platforms of 11 provinces and cities as at the end of 2019. In the auto ecosystem, the Group leveraged on the big data from in-house and external sources and machine learning platforms to set the price more accurately. The Group has also established a big data alliance with cooperation partners such as insurance companies and internet of vehicles, and has collected over 20 million drive tag data. Based on such data, the Group leveraged on the machine learning and scenario application platform it developed ("Data Cube") to achieve in-house and external big data information sharing, machine learning and model iteration.

In 2019, the automation rate of the Group's underwriting and claim settlement services reached 99% and 95% respectively, with the automation rate in health insurance claim settlement being 94%. The application of AI helped significantly reduce labour cost of customer service, with the proportion of AI application for online customer services reaching over 85%, resulting in a 235% increase in total volume of online communication in the second half of 2019 compared to that in the first half of 2019 while the labour cost remained substantially the same. The Group's technical staff released over 200 tasks every day, with quick rollout of new products within one to three days upon completion of registration with the regulatory authorities, which was supported by tools independently developed by the Group to quickly define insurance products and the automatic testing models (the automatic testing rate for core application was 80% as at 31 December 2019). In the auto ecosystem, the Group uses various technologies such as Optical Character Recognition, AI damage assessment and video claim settlement services, which has meant that over 60% of cases no longer require investigators to be present, and the average claim settlement time for any case with the settlement amount of less than RMB10,000 has been reduced to 11 minutes.

Blockchain

Blockchain is a distributed ledger technology used to store static records and/or dynamic transaction data distributed across a network of synchronised and replicated databases. It empowers trust between parties without the use of a central intermediary, removing frictional costs and inefficiency. From a technical perspective, blockchain is a distributed database that maintains a continuously growing list of ordered records called blocks. Blockchain can be applied to identity management, fraud detection, and peer-to-peer risk management, which can be valuable for the Group's insurance business.

The Group independently developed its blockchain system, namely Ann-chain and Ann-router. Ann-chain is a blockchain protocol implementation which is intended as a foundation for developing blockchain applications and solutions. Ann-router is the Group's blockchain network component which is intended to link isomorphic and heterogeneous blockchains.

The Group participated in drafting the 2nd blockchain standard in PRC, the "Blockchain Data Format" specifications published by the MIIT. Further, the Company established the Shanghai Blockchain Engineering Tech Research Centre (上海市區塊鏈工程技術研究中心), the only provincial level blockchain lab in Shanghai, in conjunction with Fudan University. IPRdaily ranked the Company 6th on its Top 100 Global Blockchain Enterprise Invention Patent List for the first half of 2019. Additionally, the Group served as an expert member of the global blockchain ISO/TC307 standard group and in the vice chairman unit of the IEEE P2418.2 blockchain system data format standard working group, participated in the development of the national blockchain standard "Blockchain Reference Architecture" (區塊鏈參考架構), and passed the first batch of blockchain standard testing. The relevant blockchain standards have been applied in more than ten vertical industry scenarios including insurance, product traceability, supply chain finance, health, public welfare, government affairs, electronic contracts, finance etc.

The Group's Research and Development Team

As at 31 December 2019, the Group had a total of 1,355 engineers and technicians, representing 46.8% of its total employees. In the future, as the Group emphasises more on its technology solutions business, it is committed to investing further in its research and development capabilities and expanding its research and development team to support its business development and maintain its technological advantages. The Group's engineers are based in its Shanghai, Shenzhen or Hangzhou offices. The Group recruits most of its engineers from prestigious universities in China and hires experienced laterals from well-established internet and software companies. It competes aggressively for engineering talent to help it address challenges and maintain its technological edges.

RISK MANAGEMENT

The Group's Risk Management Framework

Management of risk exposure is fundamental to the Group's operations. The Group has established a comprehensive, enterprise-wide and technology-driven risk management framework to manage risks across its operations. The Group applies its big data analytics capability and machine learning technology to assist with its risk management efforts. The three pillars of the Group's risk management framework include (i) quantitative capital requirements, such as the management of insurance risk, market risk, credit risk and liquidity risk, (ii) qualitative risk management requirements, such as the management of operational risk, strategic risk and reputational risk, and (iii) market discipline.

The organisational structure of the Group's risk management system includes: Board of Directors, Risk Management Committee, senior management, risk management department, legal and compliance department, finance department, actuarial department, operation management centre, information and technology department, various business departments, internal control department and other related departments.

The Board of Directors assumes the ultimate responsibility for its risk management, internal control and compliance. The Group's risk management activities are centrally undertaken and monitored by the Risk Management Committee under the Board, and supplemented by the legal and compliance department, internal control department and other business departments. The Risk Management Committee is responsible for identifying and reviewing the major areas of risk across the Group, and for approving, and ensuring compliance with key financial and operational risk management policies. The Group's chief risk officer, who has over 19 years of legal and risk management experience in financial institutions, oversees the Group's risk management and participates in meetings of the Risk Management Committee. The Group has also set up a risk management department with expertise in finance, investment, legal and regulation, actuary and internal audit to oversee the Group's daily risk management activities.

In addition to overall risk management, the Group also emphasises its risk management throughout the insurance value chain. The Group's product managers in each business department also contribute to its risk management efforts in their daily practices. The Group has set up key risk indicators for each business department to monitor its daily operations. Prompt reporting to the risk management department is required when key risk indicators are triggered.

Enterprise Risk Management

With its strong focus on compliance, the Group has developed its systematic enterprise risk management framework, which sets forth the Group's policies in determining the risk limits and adopting the standards of its accounting and statutory metrics. At the same time, the risk-management function is incorporated with loss control and risk-return optimisation into its role. During the ongoing dialogue with other functions (such as finance) and other business departments, the Group identifies potential issues and, where helpful, challenge common practices. The function develops an understanding of corporate strategies and the ability to model risk capitalisation and conduct stress testing, which then converts into strategic input for further management.

Management of insurance risk

The Group faces insurance risks, which involve the potential loss arising from, among others: (i) defective product design; (ii) mispricing of products or inadequate reserves due to inaccurate assumptions regarding factors such as loss ratio and surrender rate, (iii) inappropriate reinsurance arrangements or (iv) unanticipated major claim settlement. The Group's actuarial department is key to its insurance risk management, which is actively involved in product development, pricing and underwriting. The Group also leverages its cutting-edge technology to manage its mispricing risk. For example, in the consumer finance ecosystem, the Group applies its X-Decision system to achieve differentiated access threshold and risk pricing.

Management of market risk

Market risk is the risk of potential loss on future earnings, fair values or future cash flows that may result from changes in the value of a financial instrument due to changes in interest rates, market prices and other factors that affect market risk sensitive instruments. Market risk is attributed to all market risk sensitive financial instruments. The Group manages its market risk exposure in a variety of ways and uses various quantitative models to assess market risks, including sensitivity analysis, setting trading limit, stress test and scenario analysis, which are common tools in the insurance as well as asset management industries. The Group routinely conducts sensitivity analyses on its debt and equity securities portfolios in an effort to estimate its exposure to fluctuations in interest rates or equity indices. The Group also conducts stress tests to monitor compliance with internal targets for solvency and capital and target for credit ratings.

A major market risk the Group faces is interest rate risk, which predominantly arises from investments in long-term debt securities which are exposed to fluctuations in interest rates. The Group monitors and assesses its interest rate risk regularly by conducting sensitivity analysis and stress tests based on the analysis of duration discrepancies between assets and liabilities, and seeks to manage its interest rate risk by adjusting its portfolio compositions and by managing, to the extent possible, the average duration and maturity of its portfolios.

Management of credit risk

Credit risk is the risk of economic loss resulting from the failure of one of the Group's obligors to make any payment of principal or interest when due and the loss in value resulting from a corporate failure. The Group is exposed to credit risks primarily associated with its fixed income investments, its credit guarantee insurance and its reinsurance arrangements with reinsurers.

The Group mitigates credit risk by utilising detailed credit control policies, by undertaking credit analysis on potential investments, and by imposing aggregate counter party exposure limits on its investment portfolios. The Group's investment guidelines also require the risk levels of the various investment sectors to be continuously monitored with allocations adjusted accordingly.

The Group manages the credit risk associated with its credit guarantee insurance and solutions by adopting credit assessment of borrowers based on data available to the Group and its big data analytics. The Group obtains information on borrowers, such as their consumption behaviours, from its ecosystem partners, and has connected its system to a number of major big data service providers.

In order to ensure accuracy of credit assessment of borrowers, the Group conducts credit assessment which includes a credit score model, anti-fraud technology based on AI technologies, blacklist screening, risk pricing techniques based on historical default rate and loss level and risk assessment of the Group's partners and transaction counterparties. The Group's credit score modelling and borrower profiling are based on credit information, social information, transactional information and other variables and the Group classifies and manages its borrowers based on their credit scores.

The Group also monitors credit risk during the terms of the credit facilities. To facilitate independent risk assessment of borrowers, the Group adopts measures which include a combination of cash flow calculations and stress tests with its ecosystem partners, and effective delinquency management. The Group also conducts weekly or monthly evaluations on its insurance products to track the trend of product performance and forecast potential defaults.

To reduce the credit risk associated with the Group's reinsurance agreements, specific counterparty exposure measures and limits are imposed. In addition, the Group monitors the financial conditions of its reinsurers on an ongoing basis and reviews its reinsurance agreements periodically. The Group also regularly reviews overdue balances and makes provision for doubtful debts covering both general and specific provisions based on the aging of the premiums receivables. The Group assesses its investment and reinsurers with reference to internal and external credit ratings and periodically re-assess such ratings to ensure accurate control procedures.

Management of liquidity risk

Liquidity risk is the risk of not having access to sufficient funds to meet the Group's obligations as they become due. The Group is exposed to liquidity risk on insurance products that permit surrender, withdrawal or other forms of early termination. It 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. The Group relies on a broad range of liquidity sources to meet its funding needs. It funds its operations principally from the receipt of written premiums and policy fees from policyholders and the related investment income. The Group may also obtain short-term borrowings in the form of repurchase agreements, as well as raise funds through the sale of investments from time to time.

The Group also faces asset and liability mismatching risk, which refers to the risk resulting from the mismatches of duration of assets and duration of liabilities and mismatches of cash flows and investment income. The Group has strengthened the managements of cost benefit, duration and risk prediction based on solvency margin constraint and the characteristics of liability for insurance products, to ensure the insurance investments are under the value of risk limit. It also uses various measures including gap analyses, sensitivity analyses and scenario analyses to evaluate and manage the mismatching risks of assets and liabilities.

Management of operational risk

Operational risk is the risk of loss resulting from breakdowns in information, communication, transaction processing, settlement systems and procedures. Operational risks include failure to obtain proper internal authorisations or to properly document transactions, equipment failure, inadequate training or errors by employees. The Group's cloud-based system and blockchain technology allow the Group to properly back up important documentation while maintaining the security. The Group also adopts strict data protection policy to ensure the security of its proprietary data.

The Group manages operational risk by establishing clear policies, requiring processes to be well documented and ensuring that transactions are reconciled and monitored. Its management of operational risk begins with the product managers, who take initial responsibility for supervising its operating personnel for compliance with the control standards established by its respective businesses as well as applicable laws and regulations. Their efforts to manage operational risk are overseen by the Group's senior management and audit committee to ensure the Group's operations are conducted in accordance with its internal policies.

The Group also manages operational risks with regards to its business cooperation with external parties. As the Group works closely with its ecosystem partners and other business partners in many aspects of its operations, it requires its business department to evaluate and assess the partners' risk profiles based on historical experience and its internal policy.

Management of strategic risk

Strategic risk refers to the risk of ineffective business strategies and executions or inability to react to the changes in industry and business environments. The Group aims to manage its strategic risks by establishing a comprehensive, forward-looking and adaptive system led by the strategic development department and the chief risk officer.

The Group periodically reviews and assesses its business strategies and take into consideration the regulatory development, macro- and micro-economy, technological development and industry trends. The Group also reviews its internal resource allocations, including technology, human resource, sales and marketing. It provides regular and specialised trainings tailored to the needs of its employees in different departments. Through these trainings, the Group ensures that its staff's skill sets remain up-to-date and enable them to discover and meet its customers' needs.

Management of reputational risk

Reputational risk is the risk of the Group's loss from events which negatively impact its brand and reputation. During the ordinary course of business, the Group may face unfavourable media coverage, which may cause significant reputational damage to the Group, disrupt its business operations, and even lead to large-scale surrenders of its insurance products.

In order to effectively manage reputational risk, the Group has proactively strengthened the development of its brand and corporate culture, and carried out professional brand promotions. The Group is proactively exploring approaches to guard and promote its brand and reputation so as to enhance business development and brand image. It takes precautionary steps in prohibiting reputational risks. It has established special mechanisms for crisis prevention and management, and improved its system-wide capabilities in monitoring and responding to media coverage, which is used as guidance on the Group's analyses of its management of crises. At the same time, the Group has strengthened its external communications, in an effort to prevent and manage crises, and maintained favourable relationships with social media.

Management of internal control, audit and financial reporting risks

The Group has established a series of policies and procedures related to its internal control and management of internal audit risks and financial reporting risks. These policies and procedures are carried out on an on-going basis from a risk-oriented perspective to deal with the various types of risks encountered by the Group during its internal control and financial management processes and to better help the Group achieve its business objectives.

Information System Risk Management

Sufficient maintenance, storage and protection of user data and other related information is critical to the Group's success. The Group has implemented relevant internal procedures and controls and adopted security measures to ensure that user data is protected and that leakage and loss of such data are avoided.

ASSET MANAGEMENT

With respect to the investment of its insurance funds, the Group strictly complies with the requirements of relevant PRC laws and regulations and implements prudent risk management by establishing a comprehensive asset management framework to ensure that the Group's assets are properly managed. The Board bears the ultimate responsibility for the allocation, investment policies, risk management and internal control regarding the investment assets. In particular, the Company has established an Investment Strategy Committee under its Board of Directors to be in charge of its investment assets, including the review of annual investment plans and guidelines, overall strategy of investments, the use of insurance funds, investment policies and the approval and authorisation mechanism for major investment decisions. For more details on the Investment Strategy Committee, please refer to "*Directors and Senior Management — Board Committees*".

Pursuant to the regulation by CBIRC, the Group's insurance funds, after approval, can be invested in, among others, bank deposits, bonds, equity securities, security investment funds, preferred shares, venture capital investment funds, RMB-denominated stocks listed on PRC stock exchanges, equities of unlisted companies or equity investment funds, infrastructure debt investment plans, real properties, financial products, financial derivatives and overseas investments.

The Group sets up its investment guidelines in accordance with the relevant CBIRC requirements on an annual basis. The annual investment plan and guidelines have to be reviewed by the Investment Strategy Committee and approved by the Board. The Group's annual investment plan and investment guidelines provide for the following investable assets:

(i) liquid assets, mainly including cash, money market funds, bank current deposit, bank call deposit, money market insurance asset management products and government bonds, quasi-government bonds and reverse repurchase agreements;

(ii) fixed-income assets, mainly including bank deposit, bank agreement deposit, bond fund, fixed income insurance asset management products, financial company bonds and nonfinancial company bonds;

(iii) equity assets, mainly including listed equity assets which include stock (including preferred shares), equity funds, hybrid funds, equity insurance asset management products, as well as unlisted equity assets which include unlisted equity interest, equity investment funds and other related financial products; and

(iv) other investments, mainly including financial assets of commercial banks, credit asset backed securities of financial institutions, collected fund trust plan of trust companies, special asset management plans of securities companies, project asset support plans of insurance asset management companies, and other insurance asset management products as well as real estate, facilities investment plans, real estate investment plans, real estate insurance assets management products and other real estate related financial products.

The Group's investment strategy is as follows: (i) for fixed income debt investment, the Group primarily invests in bonds with high liquidity, high credit ratings and high pledge rate; (ii) for public equity investment, the Group focuses on publicly traded stocks with high dividend yield; and (iii) for other investments, the Group carefully selects reputable trust products with high credit ratings or security, and wealth management products with high liquidity.

As part of its investment policies and risk management measures, the Group sets trading limit for each investment asset class as follows:

Asset class	Category asset ratio limit	Risk monitoring percentage of total assets
Liquid assets	N/A	Liquid assets and governmental bonds and quasi-government bonds with remaining period until maturity of more than one year should account for less than 7% of the Group's total assets at the end of last quarter.
Fixed-income assets	N/A	Domestic bonds whose long-term credit rating are below AA level (including AA level) rated by domestic credit rating agencies should account for no more than 10% of the Group's total assets at the end of last quarter. The fund balance of interbank borrowings and bond repurchase should account for no more than 20% of the Group's total assets at the end of last quarter.
Equity assets	No more than 30% of the total assets of the Group at the end of last quarter, and the carrying amount of a single equity investment with significant impact is not higher than the net assets at the end of last quarter	Equity assets should account for no more than 20% of the Group's total assets at the end of last quarter.
Real estate assets	No more than 30% of the Group's total assets at the end of last quarter, of which the amount used to purchase properties for self-occupation is no more than 50% of the net assets of last quarter	Real estate assets should account for no more than 20% of the Group's total assets at the end of last quarter.
Other financial assets	No more than 25% of the Group's total assets at the end of last quarter	Other financial assets should account for no more than 15% of the Group's total assets at the end of last quarter.

In addition, in accordance with CBIRC requirements, the Group sets contribution limits for its investments, which requires that the carrying balance of any single asset should not exceed 5% of the Group's total assets (except for investments in central government bonds, quasi-government bonds and bank deposits in the PRC) at the end of the last quarter and that the carrying balance of the Group's total investments in a single legal entity should not exceed 20% of its total assets (except for investments in central government bonds and quasi-government bonds in the PRC) at the end of the last quarter. In the event that its investment ratio exceeds the risk monitoring percentage listed above, the Group is required to report such event to CBIRC within five working days and the Group will increase its attention to the relevant asset class. In the event that its investment ratio exceeds the category asset ratio limit or the concentration limit described above, the Group will adjust its investment to make the ratio fall within the corresponding limit within 20 working days. Approval from senior management in charge of asset management is required in the circumstance that the Group's investment ratio exceeds the set limit is due to withdrawal of funds or temporary investment needs, or if the Group will not be able to adjust its investment due to market liquidity.

The Group had total investment assets of RMB19,452.0 million in 2017, RMB18,969.6 million in 2018 and RMB19,930.6 million in 2019. Total investment assets represented 92.0%, 72.0% and 64.5% of the Group's total assets in 2017, 2018 and 2019, respectively. As at 31 December 2019, the Group's investment in fixed income assets and liquid assets (including cash, fixed income investments, fund investments (excluding equity related), trust and wealth management products) is 82.1% of total investment assets. In addition, 99.7% of the credit bonds the Group held had a credit rating of AA and above as at 31 December 2019. The Group's total investment yield was 7.7%, 2.6% and 9.3% in 2017, 2018 and 2019, respectively. The Group's net investment yield was 3.8%, 4.2% and 4.8% in 2017, 2018 and 2019, respectively.

The following table sets forth the portfolio of the Group's total investment assets as of the dates indicated:

	31 December 2019		31 December 2018		31 December 2017	
	Balance	**Percentage**	**Balance**	**Percentage**	**Balance**	**Percentage**
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
By category:						
Cash and cash equivalents	2,914,820	14.6	2,426,829	12.8	5,256,367	27.0
Fixed income investments	8,450,182	42.4	11,612,736	61.2	6,704,163	34.5
Bonds	11,674,380	58.6	11,805,904	62.2	3,548,021	18.2
Term deposits	300,000	1.5	960,000	5.1	——	—
Other fixed income investments[1]	(3,524,198)	(17.7)	(1,153,168)	(6.1)	3,156,142	16.3
Equity and investment funds	4,712,869	23.6	2,601,663	13.7	3,165,951	16.3
Investment funds	1,991,589	10.0	1,463,927	7.7	1,784,079	9.2
Stocks	2,082,521	10.4	767,720	4.0	1,192,382	6.1
Unlisted equity shares	638,759	3.2	370,016	2.0	189,490	1.0
Other investments	3,852,755	19.3	2,328,326	12.3	4,325,566	22.2
Wealth management products	2,576,079	12.9	1,731,257	9.1	3,409,737	17.5
Trust products	1,276,676	6.4	597,069	3.2	915,829	4.7
Total investment assets	**19,930,626**	**100.0**	**18,969,554**	**100.0**	**19,452,047**	**100.0**

1 Other fixed income investments mainly comprised of the net value of financial assets purchased under resale agreements and sold under repurchase agreements.

Cash and cash equivalents

Cash and cash equivalents primarily include cash, time deposit and placements with banks. Cash and cash equivalents increased from approximately RMB2,426.8 million as of 31 December 2018 to approximately RMB2,914.8 million as of 31 December 2019. The primary reason for the increase was net cash inflows from financing activities, which consisted of (i) proceeds from the issuance of preferred shares by ZhongAn Technologies International Group Limited amounting to approximately RMB814.1 million; (ii) net cash inflows from transaction of securities under agreements to repurchase amounting to approximately RMB1,408.4 million; and (iii) capital injection from non-controlling interests amounting to approximately RMB455.9 million, which was offset by cash outflow amounting to approximately RMB317.6 million paid to a non-controlling interest in ZhongAn Financial Services Limited.

Bonds

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

Stocks and investment funds

The Group's investment in stocks increased from approximately RMB767.7 million as of 31 December 2018 to approximately RMB2,082.5 million as of 31 December 2019, and its investment in investment funds increased from approximately RMB1,463.9 million as of 31 December 2018 to approximately RMB1,991.6 million as of 31 December 2019. Considering the Group's need to diversify its investment portfolio and its improved investment research and management capabilities, in 2019, it increased the scale of investments in stocks to gain more investment income.

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 Taikang Asset Management Co., Ltd.; and (ii) trust products, which typically have longer terms and higher return over investment as compared to traditional fixed income products and receive external ratings of AA level or above. The Group's investment in other investments increased from approximately RMB2,328.3 million as of 31 December 2018 to approximately RMB3,852.8 million as of 31 December 2019. Considering the increasing volatility of bond market in 2019 and the Group's need to diversify the whole investment portfolio, the Group invested more in other investments to obtain stable investment return and manage overall credit risk.

INTELLECTUAL PROPERTY

Intellectual property rights are fundamental to the Group's business, and the Group devotes significant time and resources to their development and protection. It protects its intellectual property rights through a combination of patent, copyright, trademark and other intellectual property laws as well as confidentiality and licence agreements with its employees, suppliers, partners and others. In general, the Group's employees must enter into a standard employment contract which includes a clause acknowledging that all inventions, trade secrets, developments and other processes generated by them on the Group's behalf are the Group's property, and assigning to the Group any ownership rights that they may claim in those works. Despite the Group's precautions, third parties may obtain and use intellectual property that the Group owns or licenses without its consent. Unauthorised use of the Group's intellectual property by third parties and the expenses incurred in protecting the Group's intellectual property rights from such unauthorised use may adversely affect the Group's business and results of operations. See "*Risk Factors — Not all of the Group's proprietary technologies are protected by intellectual property rights registered with the relevant governmental authorities in China. If the Group fails to protect its intellectual property rights or prevent the loss or misappropriation of its intellectual property rights, the Group may lose its competitive edge and its brand, reputation and operations may be materially and adversely affected*."

As of 31 December 2019, the Group had accumulatively filed applications for 478 patents, including applications for 167 overseas patents, among which, applications for 195 patents were filed in 2019, including applications for 116 overseas patents. In addition, there were 133 PCT (Patent Cooperation Treaty) patent applications in total covering 11 countries and regions.

A party has alleged that the Company's use of the characters "眾安" in its company name represents passing off of their trade name in Hong Kong due to that party having the same Chinese characters in its company name. The Company has been duly registered in Hong Kong as a non-Hong Kong company pursuant to the Companies Ordinance and does not currently carry on any business in Hong Kong other than the establishment and maintenance of a share transfer and registration office for its H Shares. The Company has registered its trade name for the purpose of carrying on its business in Hong Kong as "ZA Online Fintech P & C" to minimise the possible risks of confusion with names of companies registered prior to the Company in Hong Kong and whose name uses the characters "眾安". After consulting with its Hong Kong legal counsel, the Company does not believe that this allegation will have any material impact on the Company and the use of the characters "眾安" in the Company's company name will not expose it to material litigation risks.

Other than as disclosed in the section headed "*Risk Factors*", the Group has not had any material dispute or any other pending legal proceedings of intellectual property rights with third parties in the years ended 31 December 2017, 2018 and 2019.

EMPLOYEES

As of 31 December 2017, 2018 and 2019, the Group had 2,541, 3,090 and 2,898 full-time employees, respectively. As of 31 December 2019, 2,046 of the Group's employees were primarily based at its headquarters in Shanghai, China, 150 of its employees were based in Hangzhou, China, 191 of its employees were primarily based in Beijing, China, 344 of its employees were primarily based in Shenzhen, China, 131 of its employees were primarily based in Hong Kong, China and the remaining were primarily based in Dalian, Chengdu and Chongqing, China. The following table sets forth the number of the Group's employees by function as of 31 December 2019:

Function	Number of Employees	% of Total
Management	59	2.0
Technology	1,248	43.1
Product Managers	344	11.9
Operations	374	12.9
Support	572	19.7
Sales and Marketing	278	9.6
General Administrative	23	0.8
Total	**2,898**	**100.0**

The Group's success depends on its ability to attract, retain and motivate qualified personnel. As part of its human resources strategy, the Group offers employees competitive salaries, performance-based cash bonuses and other incentives.

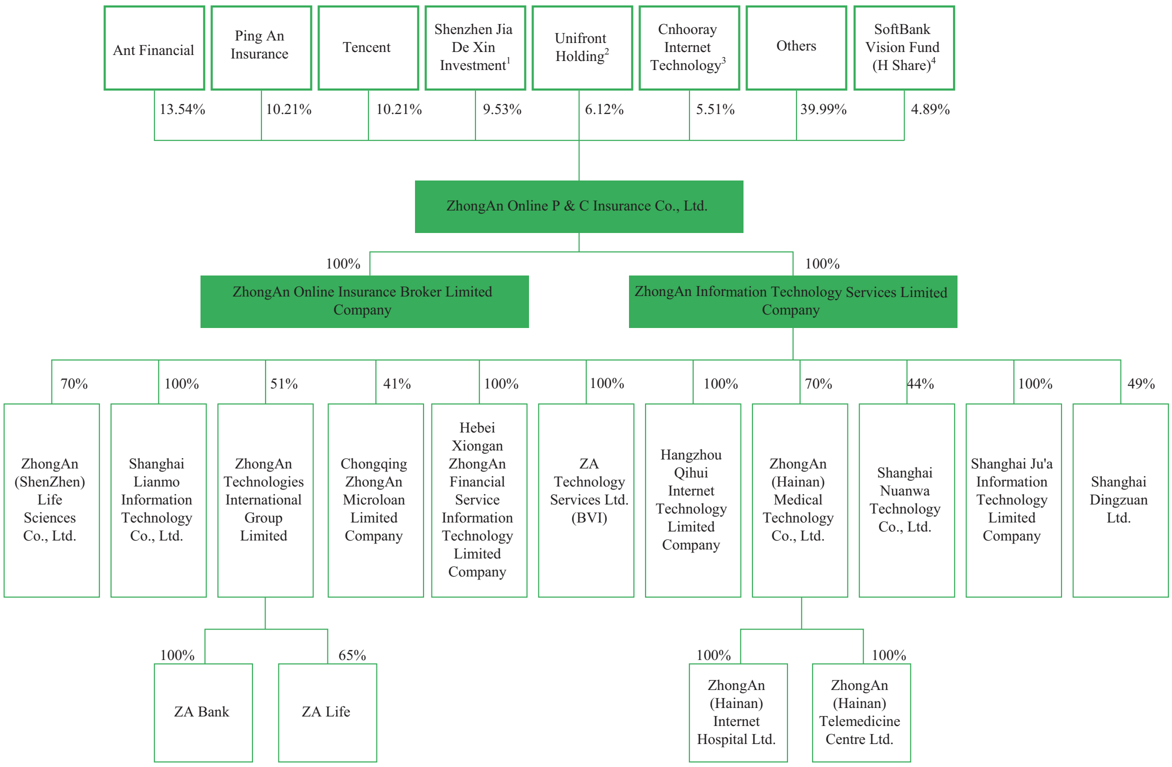
The Group primarily recruits its employees in China through recruitment agencies, internal referral, on-campus job fairs and online channels including its corporate website and social networking platforms. It has adopted a training policy, pursuant to which management, technology and other trainings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

As required under PRC regulations, the Group participates in various employee social security plans that are organised by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury and unemployment benefit plans. The Group is required under PRC laws to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of its 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 the Group's business.

The Group believes that it maintains a good working relationship with its employees and it has not experienced any material labour disputes or any difficulty in recruiting staff for its operations in the years ended 31 December 2017, 2018 and 2019.

THE GROUP'S SHAREHOLDING AND ORGANISATION CHART

As of 31 December 2019, the Group's shareholding and organisation chart of major subsidiaries, joint ventures and/or associates is set out as follows:



1 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), which is controlled by Yafei Ou (歐亞非).

2 Unifront Holding Limited (優孚控股有限公司) is 25.0% owned by Shanghai Songlu Investment Management Co., Ltd. (上海松鹿投資管理有限公司), 16.9% owned by Shanghai Jianglu Investment Management Co., Ltd. (上海江鹿投資管理有限公司) and 13.1% owned by Shanghai Xinlu Investment Management Co., Ltd. (上海鑫鹿投資管理有限公司). The entire interest of Shanghai Songlu Investment Management Co., Ltd., Shanghai Jianglu Investment Management Co., Ltd. and Shanghai Xinlu Investment Management Co., Ltd. is controlled by Zhen Zhang (張真).

[3] 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), which is 100% owned by Sinolink Worldwide. Sinolink Worldwide is 45.1% held by Asia Pacific Promotion Limited, which is wholly owned by Yaping Ou.

[4] SoftBank Vision Fund L.P. is 48.3% owned by Vision Technology Investment Company, which is wholly owned by Public Investment Fund.

COMPETITION

Although the Group believes it is not in direct competition with any specific Insuretech companies in China, it faces certain competition from traditional insurance companies, other licensed internet insurance companies, and internet companies in each of its business segments, which could lead to adverse pricing pressure, reduced operating margins, loss of market share, departures of qualified employees and increased capital expenditures, as described below.

Competition from Traditional Insurance Companies

Traditional insurance companies may leverage their substantial market presence, diversified product offerings, well-established distribution channels and capital strength to compete with the Group in insurance product and service offerings. Moreover, many traditional companies are constantly investing in technologies to accelerate their digitalisation and to establish online operating capabilities, placing pressure on the Group's market share, pricing and profitability.

Currently, the Group adopts a staggered competition strategy with traditional insurers. Targeting the long-tail demands of a large number of internet users, the Group provides customer-centric inclusive insurance products in fragmented and frequent scenario-based settings such as online shopping, travel booking, and personal health etc. There is limited overlap between the Group and traditional insurers' key customer base and product offerings.

Over the past six years, the Group has established a mature Insuretech business model. The Group believes that, as an innovative and fast-growing Insuretech company, it is likely to have a competitive advantage over the traditional insurance companies as a result of its innovative product offerings, speed to market capabilities, agile product iterations, pure online operation expertise supported by sophisticated technology backbone, as well as experience in serving internet users. Besides, the digitalisation of traditional insurance companies may also bring market opportunities to the Group's technology export business.

Competition from Other Licensed Internet Insurance Companies

The Group faces competition from other licensed internet insurance companies in China in offering internet insurance products. All these competitors have their own technology backgrounds, certain amounts of customer data and operation expertise.

So far, there are only four licensed internet insurance companies in China. Among these existing companies, the Company obtained its internet insurance licence in October 2013, more than two years earlier than any of the other three companies. The Group is also a leader among these four companies in terms of GWP. Its GWP was more than 1.6 times the combined GWP of the other three companies in 2019, based on their filings with CBIRC.

Competition from Internet Companies

Internet companies such as Tencent and Alibaba are continuously increasing their investment in the insurance sector. They may leverage their technology strengths, established brand recognition, large user base, massive user data and strong capital resources to play a more active role in the Insuretech industry.

The Group believes that its relationship with internet companies is more win-win cooperation rather than direct competition. Internet companies adopt an open platform business model, leveraging its massive user base to partner up with licensed financial institutions, and distribute insurance products online. The Group has established unique insurance technology strengths and product innovation capabilities, which can facilitate internet companies' open platform business model with quick product iteration, comprehensive risk control capabilities, as well as enhanced marketing and user experience. In addition, the Group can cooperate with internet companies in Insuretech and jointly explore product innovation, user experience improvement, big data analytics and risk control capabilities.

RESERVES

The following discussion relates to the determination of the Group's reserves for the purposes of its consolidated financial statements, which are prepared in accordance with HKFRS.

Claim Reserves

Claim reserves represent insurance contract provisions for non-life insurance accidents, which include incurred and reported claim reserves, incurred but not reported ("**IBNR**") claim reserves and claim expense reserves.

Incurred and reported claim reserves represent insurance contract provisions for the claims incurred and reported to the Group. The Group uses case-by-case estimate method to measure incurred and reported claim reserves based on a reasonable estimate of the ultimate claims amount and the margin factor.

IBNR claim reserves represent insurance contract provisions for the claims incurred but not reported to the Group. The Group uses loss ratio method and chain ladder method to measure IBNR claim reserves based on a reasonable estimate of the ultimate claims amount and the margin factor, and after considering industry benchmark and experience data, etc.

Claim expense reserves represent insurance contract provisions for related claims handling costs. The Group uses case-by-case estimate method for direct claim expense reserves and ratio allocation method to measure indirect claim expense reserves with consideration of margin factor.

Unearned Premium Reserves

Unearned premium reserves are measured by using the unearned premium approach. At the 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.

When performing liability adequacy tests of unearned premium reserves, the Group uses 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.

(i) Discount rate: Cash flow will not be discounted when being measured because the durations of the majority of insurance categories are less than 1 year.

(ii) Expense assumptions: The Group develops its expense assumption on its expense analysis and future expectation for policy acquisition costs and maintenance expenses. Its expense assumption is determined based on industry analysis, industry standards and economic environment. Its expense assumption is affected by certain factors, such as inflation, market competition and other factors. The Company uses information currently available as at the balance sheet date to determine expense assumption and a risk adjustment is considered.

(iii) Loss ratios: The Group develops its loss ratio assumption on analysis of its historical claims payments experience, future development trends and industry experiences.

(iv) Risk margin: The risk margin represents provision for the uncertainty associated with future cash flows. The risk adjustment is determined by reference to the industry benchmark and the risk adjustments for future cash flows are 5.5 percent and 15 percent of unbiased estimate of the present value of future net cash flows.

LEGAL AND REGULATORY PROCEEDINGS AND COMPLIANCE

General

As at the date of this Offering Circular, the Group has not been involved in any actual or pending legal, arbitration or administrative proceedings (including any bankruptcy or receivership proceedings) that it believes would have a material adverse effect on its business, results of operations, financial condition or reputation. There are no legal, arbitral or administrative proceedings before any court current or pending against, or involving, the properties or the businesses of the Group or to which any of the properties or members of the Group is a subject, which would have a material adverse effect on the Group's business, results of operations, financial condition or reputation. However, the members of the Group may from time to time become a party to various legal, arbitration or administrative proceedings arising from the ordinary course of business.

Regulatory Inspections

CBIRC and other PRC government authorities, including SAT, NAO, SAIC, PBOC, the Ministry of Human Resources and Social Security of the PRC and their affiliated institutions, from time to time make inquiries and conduct on-site or off-site examinations or investigations concerning the Company's compliance with PRC laws and regulations, including inquiries, examinations or investigations in respect of the Company's financial position and business operations, solvency margin, tax payment and labour and social welfare. Under the Administrative Regulations for Insurance Companies (《保險公司管理規定》), CBIRC conducts both on-site and off-site inspections on insurance institutions. The on-site inspections conducted by CBIRC or its local bureaux of an insurance institution may focus on the company's management, reserves, solvency margin, deployment of funds, financial position, transactions with insurance intermediaries, appointment of senior management and other matters which CBIRC considers to be material. As at the date of this Offering Circular, the Company was not aware of any inspections or audits conducted by any PRC regulatory authorities which would have a material adverse effect on the Company's business, financial position, results of operations or prospects.

Administrative Proceedings and Non-Compliance

As at the date of this Offering Circular, the Group has not committed any material non-compliance of the laws or regulations, and has not experienced any systemic non-compliance incidents, which taken as a whole, in the opinion of the Company's Directors, are likely to have a material and adverse effect on the Group's business, financial condition or results of operations. During the same periods, the Company has also not experienced any non-compliance of the laws or regulations, which taken as a whole, in the opinion of the Directors, reflects negatively on the ability or tendency of the Company, the Directors or its senior management, to operate the Group's business in a compliant manner. The Company's PRC Legal Advisor is of the opinion that the Company has complied with all relevant PRC laws and regulations in all material respects as at the date of this Offering Circular.

The Company has designed and adopted strict internal procedures to ensure the compliance of its business operations with the relevant rules and regulations. The Company's legal, financial and operational departments continually review the implementation of its internal policies and measures to ensure its policies and implementation are effective and sufficient for the prevention of any potential non-compliance, and will organise internal trainings if any potential non-compliance or implementation shortfall is identified. In addition, the Company's audit department conducts internal annual audit of the Company's business lines based on the requirements of relevant rules and regulations so as to ensure that all activities are being carried out in accordance with the Company's compliance policy and procedures.

DATA PRIVACY MATTERS

The Company collects certain personal data from its customers in the PRC in connection with its business and operations. The PRC has strict regulations in place governing the collection and usage of personal data. In particular, PRC data privacy laws require the data owner to consent to the data collection and agree to its usage. When a customer registers an account on the Company's online portal, he is required to confirm that he has read and agreed to the terms and conditions of being an user of the portal, including the terms set out in the Company's data privacy statement. The Company's data privacy statement states that the collection and usage of any personal data will be in accordance with PRC laws and regulations, and it also clearly states that the personal data being collected can be used for purposes of data analysis and supporting the Company to develop and to improve its insurance products. In addition, for customers who purchase the Company's insurance products through its ecosystem partner's platforms, they need to consent to the ecosystem partners' data privacy statements or policies that allow these partners to share relevant data with the Company in accordance with PRC laws and regulations as well as the ecosystem partners' own data privacy statements or policies. The Company's PRC Legal Adviser has advised the Company that it is in compliance with the relevant PRC laws and regulations with respect to personal data collection and usage in all material respects as at the date of this Offering Circular.

DIRECTORS

The following table sets out the information regarding the Directors of the Company as at the date of this Offering Circular:

Name	Age	Position	Responsibilities	Date of joining the Company	Date of appointment
Yaping Ou (歐亞平)	58	Chairman of the Board and executive Director	Providing overall strategic planning and business direction; member of the Remuneration and Nomination Committee	29 September 2013	14 November 2013
Jin Chen (陳勁) .	52	Executive Director and president of the Fintech Research Institute	Providing professional opinion and judgment to the Board; chairman of the Investment Strategy Committee	1 June 2014	14 November 2014
Hugo Jin Yi Ou (歐晉羿)	28	Executive Director	Providing professional opinion and judgment to the Board; member of the Investment Strategy Committee and the Consumer Rights Protection Committee	3 July 2017	27 November 2017
Xinyi Han (韓歆毅)	42	Non-executive Director	Providing professional opinion and judgment to the Board; member of the Investment Strategy Committee	23 November 2016	23 November 2016
Weibiao Zhan (湛煒標)[6] . . .	47	Non-executive Director	Providing professional opinion and judgment to the Board; member of the Investment Strategy Committee	11 May 2020	11 May 2020
Xiaoming Hu (胡曉明)	50	Non-executive Director	Providing professional opinion and judgment to the Board; member of the Risk Management Committee	29 November 2013	29 November 2013
Liangxun Shi (史良洵)	54	Non-executive Director	Providing professional opinion and judgment to the Board; member of the Audit Committee and the Consumer Rights Protection Committee	18 November 2019	18 November 2019

[6] The appointment of Mr. Weibiao Zhan will become effective upon the approval of his qualification as director by CBIRC.

Name	Age	Position	Responsibilities	Date of joining the Company	Date of appointment
Ming Yin (尹銘) .	50	Non-executive Director	Providing professional opinion and judgment to the Board; member of the Risk Management Committee	18 November 2019	18 November 2019
Shuang Zhang (張爽)	48	Independent non-executive Director	Supervising and providing independent judgment to the Board; chairman of the Remuneration and Nomination Committee	19 July 2013	14 November 2014
Hui Chen (陳慧) .	53	Independent non-executive Director	Supervising and provide independent judgment to the Board; chairman of the Audit Committee; member of the Related Party Transactions Control Committee	21 December 2016	21 December 2016
Yifan Li	52	Independent non-executive Director	Supervising and providing independent judgment to the Board; chairman of the Risk Management Committee; member of the Audit Committee and the Related Party Transactions Control Committee	21 December 2016	21 December 2016
Ying Wu (吳鷹) .	60	Independent non-executive Director	Supervising and providing independent judgment to the Board; chairman of the Consumer Rights Protection Committee; member of the Remuneration and Nomination Committee	4 July 2017	4 July 2017
Wei Ou (歐偉) . .	62	Independent non-executive Director	Supervising and providing independent judgment to the Board; chairman of the Related Party Transactions Control Committee	19 December 2019	19 December 2019

EXECUTIVE DIRECTORS

Mr. Yaping Ou (歐亞平), aged 58, has been the chairman of the Board since November 2013. Mr. Ou joined the Group in September 2013, and is also an executive Director and a member of the Remuneration and Nomination Committee of the Board of the Company. Mr. Ou obtained a bachelor's degree in Engineering Management from the Beijing Institute of Technology (北京理工大學) in July 1984. Mr. Ou has around 30 years of experience in investing and corporate management. He served as the chairman and executive director of Sinolink Worldwide, a company listed on the Hong Kong

Stock Exchange (Stock Code: 1168), between December 1997 and August 2013, and has served as its non-executive director since August 2013. Mr. Ou has been the chairman of Cnhooray Internet Technology Co. Ltd. (深圳日訊網絡科技股份有限公司), a substantial shareholder of the Company since 2000.

Mr. Jin Chen (陳勁), aged 52, is an executive Director of the Company and the chairman of the Investment Strategy Committee of the Board and the president of the Fintech Research Institute of the Company. Mr. Chen joined the 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.

Mr. Hugo Jin Yi Ou (歐晉羿), aged 28, son of Mr. Yaping Ou, is an executive Director of the Company. Prior to his appointment as an executive Director in November 2017, Mr. Ou served as a non-executive Director of the Company between July 2017 and November 2017. He is also a member of the Investment Strategy Committee of the Board of the Company. He joined the 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, a company listed on the Hong Kong Stock Exchange (Stock Code: 1168), 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.

NON-EXECUTIVE DIRECTORS

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

Mr. Weibiao Zhan (湛煒標), aged 47, 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). He currently serves as a director of Beijing Navinfo Co., Ltd., a company listed on the Shenzhen Stock Exchange (Stock Code: 002405), a non-executive director of Maoyan Entertainment, a company listed on The Stock Exchange of Hong Kong Limited (Stock Code: 1896) and a director of E-Money Holding Co., Ltd., a company listed on the National Equities Exchange and Quotations System (Stock Code: 832950).

On 11 May 2020, Mr. Weibiao Zhan was elected by the shareholders of the Company as a non-executive director of the Company. The appointment of Mr. Weibiao Zhan will become effective upon the approval of his qualification as director by CBIRC.

Mr. Xiaoming Hu (胡曉明), aged 50, is a non-executive Director and a member of the Risk Management Committee of the Board of the Company. Mr. Hu joined the Group in November 2013. Mr. Hu graduated from Zhejiang University (浙江大學), majoring in finance by correspondence, in June 2002 and a master of business administration from China Europe International Business School (中歐國際工商學院) in September 2010. Mr. Hu has been the president of Ant Financial since November 2018. Mr. Hu was the president of Alibaba Cloud Computing Ltd. (阿里雲計算有限公司) from November 2014 to 2018. Mr. Hu was vice president of Zhejiang Alibaba Microfinance Co., Ltd. (浙江阿里巴巴小額貸款股份有限公司) from 2010 to 2011, and a senior supervisor and president's assistant of Alipay (China) Network Technology Co., Ltd. (支付寶 (中國) 網絡技術有限公司) from 2005 to 2008. He served as a non-executive director of Sinosoft Technology Group Limited (中國擎天軟件科技集團有限公司), a company listed on the Hong Kong Stock Exchange (Stock Code: 1297) from January 2017 to June 2019, and a non-executive director of China United Network Communications Group Co., Ltd. (中國聯合網絡通信集團有限公司), a company listed on the Shanghai Stock Exchange (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 Shanghai Stock Exchange (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 Shanghai Stock Exchange (Stock Code: 600570) from October 2014 to February 2016.

Mr. Liangxun Shi (史良洵), aged 54, is a non-executive Director and a member of the Audit Committee of the Board of the Company. Mr. Shi joined the 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.

Mr. Ming Yin (尹銘), aged 50, is a non-executive Director and a member of the Risk Management Committee of the Board of the Company. Mr. Yin joined the Group in November 2019. Mr. Yin graduated with an EMBA from China Europe International Business School. 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), assistant president and vice president of China Life Property and Casualty Insurance, and vice president of Ant Financial.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Shuang Zhang (張爽), aged 48, is an independent non-executive Director and chairman of the Remuneration and Nomination Committee of the Board of the Company. Mr. Zhang joined the Group in July 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 was a project director of the China region at The Nature Conservancy (大自然保護協會) from 2005 to 2015.

Ms. Hui Chen (陳慧), aged 53, is an independent non-executive Director, chairman of the Audit Committee and a member of the Related Party Transactions Control Committee of the Board of the Company. Ms. Chen joined the 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.

Mr. Yifan Li, aged 52, is an independent non-executive director, chairman of the Risk Management Committee, a member of the Audit Committee and the Related Party Transactions Control Committee of the Board of the Company. Mr. Li joined the Group in December 2016. Mr. Li obtained a bachelor's degree in economics from Fudan University (復旦大學) in July 1989, a master's degree in management and administration sciences from the University of Texas at Dallas (德克薩斯大學達拉斯分校) in May 1994 and a master of business administration degree from the University of Chicago (Booth School of Business) (芝加哥大學布斯商學院) in June 2000. Mr. Li has over 17 years of experience in finance. Mr. Li has been an independent non-executive director of Xinyuan Property Management Service (Cayman) Ltd. (鑫苑物業服務集團有限公司), a company listed on the Hong Kong Stock Exchange (Stock Code: 1895) since September 2019, an independent non-executive director of Frontage Holdings Corporation (方達控股公司), a company listed on the Hong Kong Stock Exchange (Stock Code: 1521) since April 2018, an independent director of Zhejiang Tiantie Industry Co., Ltd. (浙江天鐵實業股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 300587), since December 2017, an independent director of Qudian Group (趣店集團), a company listed on the New York Stock Exchange (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 Shanghai Stock Exchange (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 Shanghai Stock Exchange (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 Shenzhen Stock Exchange (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.

Mr. Ying Wu (吳鷹), aged 60, is an independent non-executive director of the Company and a member of the Remuneration and Nomination Committee of the Board of the Company. Mr. Wu joined the 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 Shenzhen Stock Exchange (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 Shenzhen Stock Exchange (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 Shenzhen Stock Exchange (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 Shenzhen Stock Exchange (Stock Code: 000100), a director of Joyoung Co., Ltd. (九陽股份有限公司), a company listed on the Shenzhen Stock Exchange (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 Shenzhen Stock Exchange (Stock Code: 002209).

Mr. Wei Ou (歐偉), aged 62, is an independent non-executive Director and chairman of the Related Party Transactions Control Committee of the Board of the Company. Mr. Ou joined the Group in December 2019. Mr. Ou is a senior economist with a post-graduate diploma. Prior to joining the 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

The board of Supervisors is responsible for monitoring the Company's financial matters and supervising the Board and members of senior management. The following table sets out the information about the Supervisors of the Company as at the date of this Offering Circular.

Name	Age	Position	Responsibilities	Date of joining the Company	Date of Appointment
Yuping Wen (溫玉萍)	39	Chairman of the Supervisor Committee	Exercising supervisory duties in accordance with regulatory requirements and the Memorandum and Articles of the Company	29 November 2013	29 November 2013
Baoyan Gan (干寶雁)	45	Supervisor	Exercising supervisory duties in accordance with regulatory requirements and the Memorandum and Articles of the Company	14 November 2014	14 November 2014
Haijiao Liu (劉海姣)	35	Employee representative Supervisor	Exercising supervisory duties in accordance with regulatory requirements and the Memorandum and Articles of the Company	25 April 2013	14 May 2018

Ms. Yuping Wen (溫玉萍), aged 39, is the chairman of the Supervisor Committee. Ms. Wen joined the 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.

Ms. Baoyan Gan (干寶雁), aged 45, is a Supervisor. Ms. Gan joined the 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. (鹿鳴穀諮詢管理有限公司) 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.

Ms. Haijiao Liu (劉海姣), aged 35, 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

The Company's senior management is responsible for the day-to-day management of the Group's business. The following table sets out the information on the members of senior management of the Company (besides the Company's executive Director) as at the date of this Offering Circular.

Name	Age	Position	Responsibilities	Date of joining the Company
Xing Jiang (姜興).	43	General manager and chief executive officer	Providing overall management and overseeing day-to-day operations at the Group	1 April 2014
Min Wang (王敏)	35	Executive vice general manager and secretary of the Board	Overseeing new business incubation and assisting the general manager	20 August 2015
Francis Yui Man Tang (鄧銳民)	56	Vice general manager	Overseeing investor relations and other affairs	3 July 2017
Yongbo Zhang (張勇博) . . .	42	Vice general manager, compliance director, chief legal officer and chief risk management officer	Overseeing compliance and legal affairs, corporate governance and securities affairs and risk management	13 May 2013
Gaofeng Li (李高峰)	42	Vice general manager, chief investment officer and chief financial officer	Providing management of assets and related duties and overseeing financial affairs	19 April 2018
Ge Lin (林革)	50	Vice general manager	Overseeing auto insurance business	18 April 2019
Hai Lin (林海)	47	Chief actuary	Overseeing actuary operations and reinsurance business	3 July 2019
Xiaoming Wang (王曉明) . .	38	Audit director	Overseeing internal audit work	15 July 2019
Lei Xiang (向雷)	40	Assistant general manager and vice president of business	Overseeing the social network business department	4 January 2016
Rui Sun (孫睿)	36	Financial director	Overseeing financial matters	14 November 2016

Mr. Xing Jiang (姜興), aged 43, is the acting general manager and chief executive officer of the Company, and an executive director and legal representative of ZhongAn Technology, a subsidiary of the Company. Mr. Jiang joined the Company in April 2014, and is primarily responsible for the overall management of the Company and oversees day-to-day operations at the Company. Mr. Jiang obtained a bachelor's degree of engineering in computer and applications from the Hunan Finance and Economics Institute (湖南財經學院) (which, as at July 18, 2019, has merged with Hunan University into the current Hunan University) in July 1999. He was in charge of the insurance division at Zhejiang Rongxin Internet Technology Co., Ltd. (浙江融信網絡技術有限公司), which is wholly-owned by Ant Financial, a substantial shareholder of the Company, from December 2013 to March 2014. From January 2011 to March 2012, he was a senior director at Alibaba (China) Network Technology Co., Ltd. (阿里巴巴 (中國) 網絡技術有限公司).

Mr. Min Wang (王敏), aged 35, is the executive vice general manager of the Company and the secretary of the Board, in charge of the office of the Board, the strategic development department, the retail finance planning department, the retail finance business department, the actuarial department, the reinsurance department, the risk management department and the internal audit department. His responsibilities include new business incubation work and assisting the general manager. He is also an executive director and general manager of ZhongAn Online Insurance Brokers Co., Ltd (眾安在綫保險經紀有限公司). Mr. Wang obtained a bachelor's degree in economics and master's degree in economics from Nankai University (南開大學) in July 2008 and July 2010 respectively, and has obtained a doctorate degree from the Central Party School (中共中央黨校) in July 2018. He has worked in insurance supervision at the CIRC, where he was involved in the development of a number of insurance regulatory measures and became familiar with insurance regulations and industry operations.

Mr. Francis Yui Man Tang (鄧鋭民), aged 56, is the vice general manager of the Company, in charge of the Company's investor relations department. Mr. Tang joined the 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 the U.S. in 1986 and 1990 respectively. Mr. Tang has worked in finance and corporate management for many years and has extensive financial and management experience.

Mr. Yongbo Zhang (張勇博), aged 42, is the vice general manager, the compliance director, the chief legal officer and the chief risk management officer of the Company. Mr. Zhang joined the 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 (華東政法大學) 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.

Mr. Gaofeng Li (李高峰), aged 42, is the vice general manager, the chief investment officer and the chief financial officer of the Company, responsible for the management of the Company's assets and related duties as well as 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 the 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 Sun Life Everbright Asset Management Co., Ltd (光大永明資產管理股份有限公司) from January 2013 to April 2018.

Mr. Ge Lin (林革), aged 50, is the vice general manager of the Company, responsible for the 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 the Group, Mr Lin has had many years of experience in the auto insurance industry. He has served several positions at Ping An P&C, including 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 centre and general manager of its southern district telemarking centre from September 2011 to February 2017, and as general manager of its united auto insurance department from February 2017 to April 2019.

Mr. Hai Lin (林海), aged 47, is the chief actuary of the Company, responsible for the 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.

Mr. Xiaoming Wang (王曉明), aged 38, is the audit director of the Company responsible for the internal audit work. Mr. Wang graduated from the Central University of Finance and Economics (中央財經大學) with a master's degree in certified public accounting and a bachelor's degree in accounting. He is qualified as an international certified internal auditor and an international registered anti-money launderer. Mr. Wang has more than 15 years of experience in internal audit work and management experience in the financial and insurance industry. He has worked in the audit and internal control departments of Ping An Group, Houxiang Group (厚相集團) and Mandao Group (漫道集團) as the department head, responsible for the overall management of internal audit work.

Mr. Lei Xiang (向雷), aged 40, is the assistant general manager and vice president of business in charge of the social network business department of the Company and the supervisor of ZhongAn Information Technology Services Co., Ltd. (眾安資訊技術服務有限公司). Mr. Xiang joined the 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), received 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).

Mr. Rui Sun (孫睿), aged 36, is the financial director of the Company, responsible for the 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 the 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.

JOINT COMPANY SECRETARIES

As at the date of this Offering Circular, Mr. Yongbo Zhang (張勇博) and Ms. Ella Wai Yee Wong (黃慧兒) have been both appointed as the joint company secretaries of the Company. See disclosure in "Management — Senior Management" in this section for the biography of Mr. Zhang.

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

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

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

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 Party 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.

Audit Committees

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

The Audit Committee comprises Mr. Liangxun Shi, Mr. Yifan Li and Ms. Hui Chen. Ms. Hui Chen is the chairman of the Audit Committee.

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.

The Risk Management Committee comprises Mr. Yifan Li, Mr. Ming Yin and Mr. Xiaoming Hu. Mr. Yifan Li has been the chairman of the Risk Management Committee from November 19, 2019.

Remuneration and Nomination Committee

The Company has 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, 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 necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Remuneration and Nomination Committee comprises Mr. Yaping Ou, Mr. Shuang Zhang and Mr. Ying Wu. Mr. Shuang Zhang is the chairman of the Remuneration and Nomination Committee.

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 authorise 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.

The Investment Strategy Committee comprises Mr. Jin Chen, Mr. Xinyi Han, Mr. Hugo Jin Yi Ou and Mr. Weibiao Zhan[7] Mr. Jin Chen is the chairman of the Investment Strategy Committee.

[7] The appointment of Mr. Weibiao Zhan will become effective upon the approval of his qualification as director by CBIRC.

Related Party Transactions Control Committee

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

- the determination of overall targets, basic policies and management systems for related party transaction management;
- the review of significant related party transactions, including but not limited to expressing opinions on the related party 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 party transactions and whether they harm the interests of insurance companies and consumers;
- the review of the relevant annual reports on the related party transactions;
- the identification and maintenance of related parties, and the management, review, approval and risk control of related party transactions;
- the coordination and management of the disclosure of related party transaction information, so as to improve the transparency of related party 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 Party Transactions Control Committee and assigned by the Board.

The Related Party Transactions Control Committee comprises Ms. Hui Chen, Mr. Yifan Li and Mr. Wei Ou. Mr. Wei Ou is the chairman of the Related Party Transactions Control Committee.

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:

- to review and submit proposals for the Board's consideration on the protection of consumer rights;
- to formulate strategies, policies and objectives of the Company's consumer rights protection work, guide the establishment and improvement of the management system for such consumer rights protection work, and incorporate consumer rights protection-related content into the Company's corporate governance and business development strategies;
- to supervise senior management in effectively implementing the Company's consumer rights protection objectives, and ensure the comprehensiveness, timeliness and effectiveness of the performance of senior management in this area;
- to regularly convene consumer rights protection meetings, review reports submitted by senior management on the Company's consumer rights protection work, and approve such reports;
- to submit consumer rights protection work reports to the Board, carry out relevant tasks in accordance with the authorisation of the Board, discuss and determine related matters, and study important issues and policies in the area of consumer rights protection;

- to study annual consumer rights protection-related audit reports, regulatory notices, internal assessment results and ensure senior management and relevant departments promptly investigate and rectify any problems; and

- other duties and responsibilities assigned by the Board.

The Consumer Rights Protection Committee comprises Mr. Hugo Jin Yi Ou, Mr. Liangxun Shi and Mr. Ying Wu. Mr. Ying Wu is the chairman of the Consumer Rights Protection Committee.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The remuneration of the Company's Directors and Supervisors (including wages, salaries, discretionary bonus, share-based payments, contributions to defined contribution benefit plans (including pension), other social security costs, housing benefits and other employee benefits) for the years ended 31 December 2017, 2018 and 2019 were approximately RMB3.03 million, RMB5.59 million and RMB5.68 million, respectively.

The aggregate amount of wages, salaries, discretionary bonus, share-based payments, contributions to defined contribution benefit plans (including pension), other social security costs, housing benefits and other employee benefits paid to the five highest paid individuals of the Company for the years ended 31 December 2017, 2018 and 2019 were approximately RMB6.84 million, RMB8.95 million and RMB10.23 million, respectively.

The Company has not paid any remuneration to its Directors or Supervisors or the five highest paid individuals as an inducement to join the Company or as a compensation for loss of office in respect of the years ended 31 December 2017, 2018 and 2019. Furthermore, none of the Company's Directors or Supervisors had waived any remuneration during the same period.

Save as disclosed above, there was no other amount paid or payable to the Directors by the Company or any of its subsidiaries for the years ended 31 December 2017, 2018 and 2019.

EXCHANGE RATE

PBOC sets and publishes daily a central parity exchange rate with reference primarily to the supply and demand of the Renminbi against a basket of currencies in the market during the prior day. PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. Since 1994, the conversion of the Renminbi into foreign currencies, including U.S. dollars, has been based on rates set by PBOC, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to 20 July 2005, the official exchange rate for the conversion of the Renminbi to U.S. dollars was generally stable. Although PRC governmental policies were introduced in 1996 to reduce restrictions on the convertibility of the Renminbi into foreign currency for current account items, conversion of the Renminbi into foreign exchange for capital items, such as foreign direct investment, loans or securities, requires the approval of SAFE and other relevant authorities. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by 2% against the U.S. dollar. The PRC government has since made and in the future may make further adjustments to the exchange rate system. PBOC announces the closing price of a foreign currency traded against the Renminbi in the interbank foreign exchange market after the closing of the market on each working day and makes it the central parity for the trading against the Renminbi on the following working day. On 18 May 2007, PBOC enlarged the floating band for the trading prices in the interbank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on 21 May 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by PBOC. The floating band was further widened to 1.0% on 16 April 2012 and 2.0% on 17 March 2014. PBOC authorized the China Foreign Exchange Trading Centre, effective since 4 January 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi on each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over-the-counter exchange rate for the following business day. The International Monetary Fund announced on 30 September 2016 that, effective 1 October 2016, the Renminbi will be added to its Special Drawing Rights currency basket. The PRC government has since made and in the future may make further adjustments to the exchange rate system. Following the gradual appreciation of Renminbi in 2017, Renminbi experienced a recent depreciation in value against U.S. dollar following a fluctuation in the first half of 2018. In August 2019, the PBOC on 5 August 2019 set the Renminbi's daily reference rate above 7 per U.S. dollar for the first time in over a decade amidst an uncertain trade and global economic climate. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future.

The following table sets forth the noon buying rate for U.S. dollars in New York City for cable transfers in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York for the periods indicated:

	Noon Buying Rate			
	Low	**Average(1)**	**High**	**Period End**
	(RMB per U.S.$1.00)			
2014	6.0402	6.1704	6.2591	6.2046
2015	6.1870	6.2869	6.4896	6.4778
2016	6.4480	6.6549	6.9580	6.9430
2017	6.4773	6.7350	6.9575	6.5063
2018	6.2649	6.6292	6.9737	6.8755
2019	6.6822	6.9014	7.1786	6.9618
2020				
January	6.8589	6.9184	6.9749	6.9161
February	6.9650	6.9967	7.0286	6.9906
March	6.9244	7.0205	7.1099	7.0808
Apr	7.0341	7.0708	7.0989	7.0622
May	7.0622	7.1016	7.1681	7.1348
June (through 26 June 2020)	7.0575	7.0825	7.1263	7.0768

Insurance Company Regulation

The insurance industry is heavily regulated in the PRC. The applicable laws and regulations governing insurance activities undertaken within the territories of the PRC consist principally of the PRC Insurance Law and rules and regulations promulgated under that law. CBIRC is the authority authorised by the PRC State Council to regulate and supervise the insurance industry in the PRC.

The PRC Insurance Law, which provides the initial framework for regulating the PRC insurance industry, was enacted in 1995, and significantly amended on 28 October 2002, 28 February 2009, 31 August 2014 and 24 April 2015. Among other things, the major provisions of the PRC Insurance Law include: (1) licensing of insurance companies and insurance intermediaries, such as agents and brokers; (2) separation of property and casualty insurance business and life insurance business; (3) regulation of market conduct by participants; (4) substantive regulation of insurance products; (5) regulation of the financial condition and performance of insurance companies; and (6) supervisory and enforcement powers of CBIRC.

CIRC was established in 1998 as the primary supervisory authority responsible for the regulation of insurance companies operating in the PRC. In April 2018, CBRC and CIRC was integrated into one single supervisory authority (CBIRC), which is responsible for the regulation of both banking and insurance sectors and relevant institutions in the PRC. CBIRC has extensive supervisory authority over the PRC insurance industry, including: (1) promulgation of regulations applicable to the insurance industry; (2) examination of insurance companies; (3) establishment of investment regulations; (4) approving the policy terms and premium rates for certain insurance products; (5) setting standards for measuring the financial soundness of insurance companies; (6) requiring insurance companies to submit reports concerning their business operations and condition of assets; and (7) ordering the suspension of all or part of an insurance company's business. Since its establishment, CBIRC has promulgated a series of regulations indicating a gradual shift in the regulatory approach to a more transparent regulatory process and a convergent movement toward international standards.

CBIRC, through its head office in Beijing and offices in each province, provincial-level municipality and autonomous region, monitors the operations of insurance companies and their branches through on-site inspections and off-site surveillance. On-site inspections generally include visiting the insurance companies' premises, interviewing their employees, senior management and directors, as well as reviewing documents and materials maintained by the insurance companies. CBIRC also conducts off-site surveillance by reviewing financial and other reports regularly submitted by the insurance companies. Off-site surveillance generally includes the surveillance of insurance companies' business activities and risk exposure status to evaluate and analyse the operational risk of the insurance companies. If an insurance company is not in compliance with a regulation, CBIRC has the power to issue corrective and punitive measures, including imposition of fines, suspension of certain business activities, restrictions on distributions of dividends and other income and asset transfers, closure of the institution and other penalties.

Establishment and Business Operation Qualification Legal Framework

The PRC insurance laws and regulations set out different requirements on establishment and business operation qualification for different types of entities engaged in insurance business, including insurance companies, insurance intermediaries and insurance asset management companies.

For the establishment of insurance companies, in addition to the PRC Insurance Law, important laws and regulations also include the Administrative Regulations for Insurance Companies (保險公司管理

規定) implemented on 1 October 2009 and amended in October 2015. The Administrative Regulations for Insurance Companies set out regulations on the organisation structuring of insurance companies, branch establishment, change in organisation structure, dissolution and deregistration of organisation, branch management, insurance operation and supervision and management.

Registered Capital

Under the PRC Insurance Law, the minimum registered capital for the establishment of an insurance company is RMB200 million and all of which must be paid-in monetary capital.

Under the Administrative Regulations for Insurance Companies (保險公司管理規定), insurance companies that are established with the minimum RMB200 million registered capital must increase their registered capital by RMB20 million for each branch office they apply for initial establishment in each province, autonomous region or directly-administered municipality of the PRC outside their domicile. An insurance company may apply for establishment of a branch office without increasing its registered capital as required if its registered capital already exceeds the minimal capital amount required for setting up branches. Insurance companies with a registered capital of RMB500 million or more may set up branches without increasing their registered capital as long as they have adequate solvency.

Establishment of Insurance Institutions and Qualifying for Conducting Insurance Business

Under the PRC Insurance Law and Administrative Regulations for Insurance Companies (保險公司管理規定), the establishment of an insurance company shall be subject to the approval by the insurance regulatory authority under the State Council. The establishment of an insurance institution is divided into two stages, namely the preparation for establishment and the commencement of business.

An applicant who satisfies the conditions on the establishment of an insurance company shall submit an application for the preparation for establishment to the insurance supervision and regulatory authority under the State Council, which may make the decision on the approval of the preparation for establishment after confirming that the conditions have been indeed satisfied. Within one year after receipt of the notice on approval for the preparation for establishment, the applicant shall complete the preparation works and submit an application for the commencement of business to the insurance supervision and regulatory authority under the State Council, which will issue an insurance business permit to the applicant if it makes a decision on the approval of the commencement of business after review. The insurance company may engage in business operation after obtaining the approval on commencement of business and the insurance business permit and completing registration formalities with other registration authorities.

Under the PRC Insurance Law, the establishment of a branch office within the PRC by an insurance company shall be subject to the approval by the insurance supervision and regulatory authority under the State Council. For those that have satisfied the relevant requirements, the insurance supervision and regulatory authority under the State Council will carry out inspection in respect of the commencement of business for a branch office, and issue an insurance business permit to the branch office if it decides for approval. The branch office of the insurance company whose establishment has been approved shall commence business after completing registration formalities with the industrial and commercial administrative departments and obtaining the business license with the approval documents and the branch office's insurance business permit.

Internet Insurance Business

According to the Notice of CBIRC on Issuing the Interim Measures for the Supervision of the Internet Insurance Business (互聯網保險業務監管暫行辦法) promulgated on 22 July 2015 and implemented on 1 October 2015, insurance institutions which carry out internet insurance business, that is, conclusion of insurance contracts and provision of insurance services via self-operated network platforms, and third-party network platforms, among others, by relying on the internet, mobile communications, and other technologies, shall comply with the relevant provisions and shall not damage the lawful rights and interests of insurance consumers and public interest. Insurance institutions shall scientifically evaluate their risk management and control capability and customer service capability, and rationally determine insurance products appropriate for internet operations and the marketing scope thereof. If they cannot guarantee customer service quality or risk management and control, they shall make adjustments in a timely manner. Insurance institutions shall ensure that internet insurance consumers enjoy insurance services such as insurance purchase and claim settlement that are not less than those from any other business channel, and guarantee the safety of insurance transaction information and consumer information. Insurance institutions shall manage and take charge of insurance operations of the internet insurance business, including sales, underwriting, claim settlement, surrender, handling of complaints, and customer services. Third-party network platforms that engage in the aforesaid insurance business shall have obtained the qualification to engage in the insurance business.

A self-operated network platform which an insurance institution conducts the internet insurance business through shall meet the following conditions:

- It has an information management system supporting internet insurance business operations, realises real-time seamless connection with the core business systems of the insurance institution, and ensures effective separation from any other internal application system of the insurance institution, so as to avoid the transmission and spread of information safety risks inside and outside the insurance institution;

- It has a complete internet information safety management system covering firewall, invasion detection, data encryption, and disaster recovery, among others;

- It has a license issued by the competent authority of the internet industry or has completed filing of its website with the competent authority of the internet industry, and the connection into the website is within the territory of the People's Republic of China;

- It has a special department that manages the internet insurance business, and has the corresponding professionals;

- It has complete management rules and operating procedures for the internet insurance business;

- Internet insurance business salespersons shall comply with the relevant provisions of CBIRC; and

- Other conditions as required by CBIRC.

Where an insurance institution conducts internet insurance business through a third-party network platform, the third-party network platform shall meet the following conditions:

- It has the licence issued by the competent internet industry authority or has completed filing of its website at the competent internet industry authority, and the connection into the website is within the territory of the People's Republic of China;

- It has a safe and reliable internet operation system and information safety management system, and realises effective separation from any application system of the insurance institution, so as to avoid the transmission and spread of information safety risks inside and outside the insurance institution;

- It is able to provide the personal identity information, contact information, account information, operation track of insurance purchased, and other information on the insurance applicant, the insured and the beneficiary required for conducting the insurance business to the insurance institution in a complete, accurate and timely manner;

- It has not been given any serious administrative punishment by the competent internet industry authority, the administrative authority for industry and commerce or any other government authorities in the past two years, and has not been included by CBIRC in the list of entities subject to cooperation prohibition in the insurance sector; and

- Other conditions as required by CBIRC.

Where the third-party network platform fails to meet the aforesaid conditions, the insurance institution shall not cooperate with it in conducting internet insurance business.

In order to implement the decision and arrangement of the CPC Central Committee and the State Council and to promote the healthy development of internet insurance standards, CBIRC together with 14 authorities issued the Implementation Plan for the Special Campaign on Internet Insurance Risks (互聯網保險風險專項整治工作實施方案) (hereinafter referred to as the "**Plan**").

According to the Plan, comprehensive arrangements are made for the Special Campaign on Internet Insurance Risks, which circles around the objectives of regulating the operation patterns; optimising the market development environment; improving the regulation systems and rules; realising equal emphasis on innovation and risk prevention; promoting the sound and sustainable development of internet insurance; adhering to the principles of highlighting key points and being vigorous and steady, implementing measures by different category, tackling both problems and causes, specifying responsibility, and strengthening cooperation. Emphasis of remediation includes the following three aspects: The first aspect is the internet business of high cash value, with focus on investigating and correcting insurance companies which make misrepresentation of one-sided or exaggerating past performance in the sales of insurance products through the internet, and make misleading description such as illegal profit commitment or committing to bear loss. The second aspect is the cross-border business expansion of insurance institutions through the internet, with focus on investigating and correcting acts of insurance companies which cooperate with network platforms of third-party operators unqualified for operating internet insurance business; insurance companies which cooperate with internet financing platforms which have the acts of providing credit enhancement services, establishing fund pools and illegal financing, triggering the migration of risks to the field of insurance; insurance companies in the course of operating internet credit platforms financing guaranteed insurance business with circumstances such as imperfect means of risk control and internal control management. The third aspect is the illegal operation of internet insurance business, with focus on investigating and correcting issues such as illegal operation of internet insurance business by non-licensed institutions and operation of insurance business through the internet by internet companies without obtaining business qualification; and illegal fund-raising by illegal institutions and illegal personnel through the internet using the name of or borrowing the credit of insurance companies. internet insurance practitioners should strictly implement the requirements of third party custodian system for customer funds to protect the security of customer funds. Through reporting and heavy penalties, problems shall be detected in a timely manner and institutions conducting misconducts and illegal acts shall be investigated and corrected.

Solvency Requirements

On 1 January 2016, CBIRC implemented new set of solvency regulations, the "China Risk Oriented Solvency System", or C-ROSS, which replaced Solvency I.

C-ROSS adopts the internationally accepted "three-pillar" regulatory system while its regulatory concept, models, methods and parameters are based on Chinese insurance market conditions. The three pillars are:

- Pillar I: quantitative capital requirements which aim to prevent quantifiable risks, and include quantifying capital requirements, criteria for assessment and recognition of actual assets and liabilities, capital classification, stress tests and regulatory measures to be imposed on the insurers which fail to meet the quantitative capital requirements.

- Pillar II: qualitative regulatory requirements which aim to prevent unquantifiable risks, and which include an integrated risk rating, requirements on assessment and management of risks by the insurers, and regulatory inspection and analysis and regulatory measures to be imposed on the insurers which fail to meet the qualitative regulatory requirements.

- Pillar III: market discipline mechanisms which aim to involve, through sufficient information disclosure systems and other means, market players including the public, customers, rating agencies and industry analysts by introducing mechanisms through which they will play an important role in the solvency supervision process.

Under C-ROSS, the three indicators to measure the solvency ratio of an insurer include the following:

- the core solvency adequacy ratio, which is calculated by dividing the core capital of an insurer by the minimum capital it is required to meet;

- the comprehensive solvency adequacy ratio, which is calculated by dividing the sum of core capital and supplementary capital of an insurer by the minimum capital it is required to meet; and

- an integrated risk rating, which is a comprehensive rating system that CBIRC uses to evaluate an insurer's overall solvency based on both quantitative assessments on quantifiable risks in Pillar I and qualitative risk assessments on unquantifiable risks in Pillar II.

CBIRC comprehensively evaluates the inherent risk and control risk of an insurer and determines an integrated risk rating of solvency risks. Insurers will then be classified into the following four supervision categories:

- Category A: an insurer's solvency adequacy ratio meets CBIRC requirement, and its risk level is very low for the four unquantifiable risks;

- Category B: an insurer's solvency adequacy ratio meets CBIRC requirement, and its risk level is low for the four unquantifiable risks;

- Category C: an insurer's solvency adequacy ratio does not meet CBIRC requirement, or an insurer's solvency adequacy ratio meets CBIRC requirement but its risk level is high for one or more of the four unquantifiable risks; or

- Category D: an insurer's solvency adequacy ratio does not meet CBIRC requirement, or an insurer's solvency adequacy ratio meets CBIRC requirement but its risk level is serious for one or more of the four unquantifiable risks.

CBIRC applies different regulatory policies to each of the four supervision categories with respect to, among others, market access, product management, use of insurance funds and on-site inspection.

An insurer of category B may be subject to a range of regulatory actions by CBIRC, including, among others, risk alert, supervisory conversation, rectification of identified problems within a specified deadline, on-site inspection or request to submit and implement plans to prevent insolvency or improve risk management.

If an insurer of category C does not meet the solvency adequacy ratio required by CBIRC, CBIRC may in such situations require the insurer to, in addition to the regulatory actions for category B, adjust its business structure, restrict business expansion and increase in assets, restrict the establishment of branch offices, restrict its commercial advertising activities, limit its business scope, transfer its insurance business to others or seek reinsurance of its insurance obligations, adjust investment portfolios or counterparties, limit its channels or percentages of investment, raise additional share capital, limit paying dividends on its shares, limit the remuneration of its directors and senior management or change its management team. If an insurer of category C meets the solvency adequacy ratio as required by CBIRC but its risk level is high for one or more of the four unquantifiable risks, CBIRC may take specific regulatory actions that target on the respective issues of each insurer.

For an insurer of category D, CBIRC may, in addition to the regulatory actions for category C, require such insurer to rectify or cease part or all new business, put the insurer into receivership or take other regulatory actions as determined by CBIRC.

As the regulatory provisions of C-ROSS were implemented recently, the actual implication and practice of the regulatory provisions of C-ROSS and the impact on the PRC insurance industry is still uncertain.

Internet Business

The State Council promulgated the Regulation on Telecommunications of the People's Republic of China (中華人民共和國電信條例) (hereinafter referred to as the "**Regulation on Telecommunications**") on 25 September 2000 and amended the same on 29 July 2014 and 6 February 2016 respectively. According to the Regulation on Telecommunications, telecommunications business is divided into two categories: basic telecommunications business and value-added telecommunications business. According to the Telecommunication Business Category (電信業務分類目錄) attached to the Telecommunication Ordinance (電信條例) promulgated by the Ministry of Information Industry of the People's Republic of China (formerly the Ministry of Industry and Information Technology) on 21 February 2003 and revised by the Ministry of Industry and Information Technology of the People's Republic of China on 28 December 2015 and 6 June 2019, the services of providing telecommunications and information services by utilisation of public network infrastructure are categorised as value-added telecommunications business.

The Regulation on Internet Information Service of the People's Republic of China (互聯網信息服務管理辦法) (hereinafter referred to as the "**Regulation on Internet Information Services**"), which was promulgated on 25 September 2000 and revised on 8 January 2011 by the State Council, has developed the guidelines relating to internet information services. The contents of China's internet information are highly regulated. According to the Regulation on Internet Information Services, offenders shall be punished for the provision of the following internet information contents, including criminal sanctions: opposing the basic principles of the PRC Constitutions, endangering national security, divulging state secrets, subverting state power or damaging national unity, harming the dignity or interests of China, inciting national hatred or racial discrimination, or damaging international solidarity, undermining China's religious policies or promoting superstition, disseminating rumors, disrupting social order or undermining social stability, spreading obscenity or pornography, encouraging gambling, violence, murder or intimidation, or instigating crimes, insulting or defaming a third party or infringing the legitimate rights and interests of the third party, or other contents prohibited by law or administrative regulations.

Mobile Application

Mobile internet application (herein after referred to as the "**Mobile Application**") is governed by the Provisions on the Administration of Mobile Internet Applications Information Services (移動互聯網應用程序信息服務管理規定) (hereinafter referred to as the "**Provisions on Administration of Application**") promulgated by the Cyberspace Administration of China on 28 June 2016 and became effective on 1 August 2016.

Pursuant to the Provisions on Administration of Application, application information service providers shall obtain the relevant qualifications prescribed by laws and regulations, strictly implement their information security management responsibilities, and carry out the following duties:

(1) According to the principle of "real name enforced at backstage, and volunteered at front stage(後台實名、前台自願)", conduct mobile telephone number-based real identity information verification of registered users; (2) Establish and complete user information security protection mechanisms, the principles of legality, justice and necessity shall be respected when collecting and using personal information, the objective, method and scope of collected and used data shall be clarified, and the user shall consent; (3) Establish and complete information content inspection and management mechanisms, where information content violating laws or regulations is published, in view of the circumstances, punishments such as a warning, restriction of functions, provisional cessation of renewal and account closure are implemented, records shall be preserved and reported to relevant regulatory bodies; (4) Lawfully protect users' right to know and right to choose in the process of usage, and without clear indication to users and users' consent, it is not permitted to initiate functions such as collection of geographic location, accessing the address book, using the camera, starting recordings, etc., and it is not permitted to open functions unrelated to the service, or bundle or install unrelated applications; (5) Respect and protect intellectual property rights, and it is prohibited to produce or disseminate applications infringing other persons' intellectual property rights; and (6) Record users' daily information, and preserve it for 60 days. Application store services providers shall, within 30 days of the business going online and starting operations, conduct filing procedures with the local cybersecurity and informatisation department. Furthermore, internet application store service providers and internet application information service providers shall sign service agreements to determinate both sides' rights and obligations.

Information Security

Internet contents are regulated and restricted in China from the standpoint of national security. Pursuant to the Decision on Preserving Computer Network Security (維護互聯網安全的決定) promulgated on 28 December 2000 and revised on 27 August 2009 by the Standing Committee of the National People's Congress (hereinafter referred to as the "**NPC Standing Committee**"), anyone who commits any of the following acts within the PRC shall be investigated for criminal responsibility: (i) invading the computer or system of strategic importance; (ii) disseminating harmful information; (iii) divulging State secrets; (iv) disseminating false business information; or (v) infringing intellectual property rights. According to the Measures for Administration of International Network Security of Computer Information Network (計算機信息網絡國際聯網安全保護管理辦法) issued on 16 December 1997 and revised and implemented on 8 January 2011 by the Ministry of Public Security, disclosure of state secrets or spreading contents that disturbs social order via the internet are prohibited. The Ministry of Public Security has the power of supervision and inspection in this regard, and the relevant local public security departments may also have the rights of supervision and review. If a holder of business licence of telecommunications and information services (ICP licence) violates these measures, the Chinese government may revoke its ICP licence and close its website.

On 13 December 2005, the MPS issued the Regulations on Technological Measures for Internet Security Protection (互聯網安全保護技術措施規定), or the Internet Protection Measures, which took effect on 1 March 2006, requiring internet service providers to utilise standard technical measures for internet security protection.

On 28 December 2012, the NPC Standing Committee announced the implementation of the Decision on Strengthening Protection of Network Information (關於加強網絡信息保護的決定) which stipulates the basic principles for protection of identity of citizens and electronic information involving personal privacy of citizens. On 16 July 2013, the Ministry of Industry and Information Technology announced the Provisions on Protecting the Personal Information of Telecommunications and Internet Users (電信和互聯網用戶個人信息保護規定) to further improve the system for protecting personal information of telecommunications and the internet industry, clarify the scope and obligors of protecting personal information of telecommunications and internet users, the rules for collection and use of users' personal information by telecommunications business operators and measures for management of agency and information security protection.

The NPC Standing Committee has promulgated the Cybersecurity Law of the People's Republic of China (中華人民共和國網絡安全法) (hereinafter referred to as the "**Cybersecurity Law**"). The Cybersecurity Law was promulgated by the NPC Standing Committee on 7 November 2016 and took effect on 1 June 2017. Pursuant to the Cybersecurity Law, network services providers who conduct business and provide services shall comply with laws and regulations and to fulfill the obligation of protecting cybersecurity, effectively respond to cybersecurity incidents, prevent illegal criminal activities committed on the network, and maintain the integrity, confidentiality and availability of network data.

Pursuant to the Ninth Amendment to the Criminal Law issued by the NPC Standing Committee on 29 August 2015, which took effect on 1 November 2015, any internet service provider that fails to fulfil the obligations related to internet information security administration as required by applicable laws and refuses rectification orders is subject to criminal penalty for (i) any dissemination of illegal information in large scale, (ii) any severe effect due to leakage of the client's information, (iii) any serious loss of criminal evidence, or (iv) other severe situation. These amendments also state that any individual or entity that (i) sells or provides personal information to others that violates applicable law, or (ii) steals or illegally obtains any personal information, is subject to criminal penalty for severe violations. On 8 May 2017, the Supreme People's Court and the Supreme People's Procuratorate released the Interpretations of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens' Personal Information, which took effect on 1 June 2017. It clarifies several concepts regarding the crime of "infringement of citizens' personal information," including "citizen's personal information," "provision," and "unlawful acquisition."

In addition, the PRC General Provisions of the Civil Law, which was issued by the NPC Standing Committee on 15 March 2017 and took effect on 1 October 2017, requires personal information of individuals to be protected. Any organisation or individual requiring personal information of others shall obtain such information legally and ensure the security of such information, and shall not illegally collect, use, process, or transmit such personal information, or illegally buy, sell, provide, or publish such personal information.

Pursuant to the Announcement of Conducting Special Supervision against the Illegal Collection and Use of Personal Information by App (關於開展App違法違規收集使用個人資訊專項治理的公告), which was issued on 23 January 2019, App operators should collect and use personal information in compliance with the Cyber Security Law and should be responsible for the security of personal information obtained from users and take effective measures to strengthen the personal information protection. Furthermore, App operators should not force their users to make authorisation by means of bundling, suspending installation or in other default forms and should not collect personal information in violation of laws, regulations or breach of user agreements. Such regulatory requirements were emphasised by the Notice on the Special Rectification of APPs Infringing upon User's Personal Rights and Interests (關於開展App侵害用戶權益專項整治工作的通知), which was issued by MIIT on 31 October 2019.

On 21 October 2019, the Supreme People's Court and the Supreme People's Procuratorate jointly issued the Interpretations on Certain Issues Regarding the Applicable of Law in the Handling of Criminal Case Involving Illegal Use of Information Networks and Assisting Committing Internet Crimes, which came into effect on 1 November 2019, and further clarifies the meaning of internet service provider and the severe situations of the relevant crimes.

Blockchain Information Services

On 10 January 2019, the State Internet Information Office issued the Administrative Regulations on Blockchain Information Services, or the Blockchain Regulations (區塊鏈資訊服務管理規定), which took effect on 15 February 2019 to regulate information services provided to the public through internet sites, applications and other means based on blockchain technology or systems. The Blockchain Regulations set forth regulations relating to content security management, record keeping and filing, technical conditions, real identity information authentication, security assessment and information security risks rectification application to blockchain information service providers. Penalties for violating the Blockchain Regulations include warnings, suspension of business, fines, and criminal liability.

According to the Announcement of the Instructions regarding the Safety Assessment Clauses of the Regulations on the Management of Blockchain Information Services issued by the State Internet Information Office on 9 August 2019, enterprises conducting blockchain information services are required to carry out safety assessment measures, such as entrusting qualified assessment agencies to conduct safety assessments or conducting self-assessment of safety risks on blockchain information services, and such enterprises are required to submit the relevant assessment reports to the relevant authorities.

Virtual Banks in Hong Kong

In Hong Kong, a "virtual bank" is defined as a bank which primarily delivers retail banking services through the internet or other forms of electronic channels instead of physical branches. The Hong Kong Monetary Authority ("**HKMA**"), pursuant to section 16(10) of Banking Ordinance of the Laws of Hong Kong (Cap. 155) (the "**Banking Ordinance**"), published a revised Guideline on Authorisation of Virtual Banks on 8 June 2018, setting out the principles which the HKMA will take into account in deciding whether to authorise virtual banks. In considering whether to approve or refuse an application for authorisation, the HKMA needs to be satisfied that the minimum criteria for authorisation in the Seventh Schedule to the Banking Ordinance are met. Reference should be made to the "Guideline on Minimum Criteria for Authorisation" issued by the HKMA under section 16(10) of the Banking Ordinance for details about the manner in which the HKMA will interpret these licensing criteria. In addition, virtual banks must maintain adequate capital commensurate with the nature of their operations and the banking risks they are undertaking.

Since virtual banks will engage primarily in retail businesses covering a large segment of retail customers, they are expected to operate in the form of a locally-incorporated bank. This is in line with the established policy of requiring banks that operate significant retail businesses to be locally-incorporated entities. In addition, it is generally the HKMA's policy that a person who holds more than 50% of the share capital of a bank incorporated in Hong Kong should be a bank or a financial institution in good standing and supervised by a recognised authority in Hong Kong or elsewhere. If a locally-incorporated virtual bank applicant is not owned by such a bank or financial institution, the HKMA expects the applicant to be held through an intermediate holding company incorporated in Hong Kong, with supervisory conditions imposed on this intermediate holding company. The supervisory conditions to be imposed will likely cover requirements on capital adequacy, liquidity, large exposures, intra-group exposures and charges over assets, group structure, activities undertaken, risk management, fitness and propriety of directors and senior management and the submission of financial and other information to the HKMA. Accordingly, both financial firms (including existing banks in Hong Kong) and non-financial firms (including technology companies) may apply to own and operate a virtual bank in Hong Kong.

In terms of ongoing supervision, virtual banks will be subject to the same set of supervisory requirements applicable to conventional banks. Some of these requirements will be adapted to suit the business models of virtual banks under a risk-based and technology-neutral approach.

A virtual bank applicant, if authorised, must maintain a physical presence in Hong Kong, which will be its principal place of business in Hong Kong. This is necessary to provide an office in Hong Kong for interfacing with the HKMA, as well as with customers to deal with their enquiries or complaints.

In terms of technology risk, a virtual bank applicant will be required to engage a qualified and independent expert to perform an independent assessment of the adequacy of its planned IT governance and systems. A copy of this assessment report should be provided to the HKMA as part of the documents submitted on application. A more detailed independent assessment of the actual design, implementation and effectiveness of its computer hardware, systems, security, procedures and controls should be undertaken and the report of the assessment should be provided to the HKMA before the virtual bank commences operation. The bank should also establish procedures for regular review of its security and technology related arrangements to ensure that such arrangements remain appropriate having regard to the continuing developments in technology. In terms of risk management, at a minimum, the applicant must go through the eight basic types of risk identified in the risk-based supervisory framework of the HKMA (i.e. credit, interest rate, market, liquidity, operational, reputation, legal and strategic risk), analyse to what extent it will be subject to these risks as a virtual bank and establish appropriate controls to manage these risks.

A virtual bank should treat its customers fairly and adhere to the Treat Customers Fairly Charter. It should observe the standards contained in the Code of Banking Practice issued by the Hong Kong Association of Banks and the DTC Association. It must set out clearly in its terms and conditions what are the respective rights and obligations between the bank and its customers. Such terms and conditions should be fair and balanced to both the bank and its customers. Customers must be made aware of their responsibilities to maintain security in the use of virtual banking services and their potential liability if they do not. In particular, the terms and conditions should highlight how any losses from security breaches, systems failure or human error will be apportioned between the bank and its customers.

Internet Insurance in Hong Kong

Any company wishing to carry on insurance business in or from Hong Kong must apply to the Insurance Authority for authorisation to do so under the Insurance Ordinance of the Laws of Hong Kong (Cap. 41) (the "**Insurance Ordinance**"). With a view to promoting technology development in the insurance industry in Hong Kong, the Insurance Authority has adopted more flexible supervisory requirements in relation to authorised insurers applying innovative technologies in their business operations. Under the "Insurtech Sandbox" initiative, authorised insurers wishing to adopt such technologies are able to launch a pilot run of their internet insurance applications to collect sufficient data, in order to demonstrate to the Insurance Authority that such applications can broadly meet the relevant supervisory requirements arising from the Insurance Authority's codes and guidelines and other regulatory practices. In applying its guidelines, the Insurance Authority will consider principles such as whether the pilot run has well-defined boundaries and conditions, risk management controls, sufficient resources, and an exit strategy.

Additionally, the Insurance Authority has launched a Fast Track scheme on 29 September 2017 to expedite applications for authorisation to carry on insurance business in or from Hong Kong using solely digital distribution channels. To ensure that policyholders' interests remain protected, companies applying for authorisation under the Fast Track scheme are required to meet relevant solvency, capital and local asset requirements, maintain policyholder protection measures, comply with restrictions on products that can be sold online, and ensure that shareholder controllers have adequate insurance experience.

TAXATION

The following summary of certain PRC, Hong Kong and EU tax consequences of the purchase, ownership and disposition of the Notes is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Notes or any persons acquiring, selling or otherwise dealing in the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. Persons considering the purchase of the Notes should consult their own tax advisers concerning the possible tax consequences of buying, holding or selling any Notes under the laws of their country of citizenship, residence or domicile.

PRC

The following summary accurately describes the principal PRC tax consequences of ownership of the Notes by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as (a) non-PRC Noteholders, or (b) beneficial owners who are entities or individuals located outside of the PRC in this "Taxation-PRC" section. In considering whether to invest in the Notes, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction. Reference is made to PRC taxes from the taxable year beginning on or after 1 January 2008.

Enterprise Income Tax

Pursuant to the EIT Law and its implementation regulations and Individual Income Tax Law of the PRC, which was last amended on 31 August 2018 and took effect on 1 January 2019, and its implementation regulations, an income tax is imposed on payment of interest by way of withholding in respect of debt securities, issued by PRC enterprises to non-PRC Noteholders, including non-PRC resident enterprises and non-PRC resident individuals. The current rates of such income tax are 10% for non-PRC resident enterprises and 20% for non-PRC resident individuals.

Such income tax shall be withheld by the Issuer that is acting as the obligatory withholder and such PRC enterprise shall withhold the tax amount from each payment due. To the extent that the PRC has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified non-PRC resident enterprise Noteholders. The tax so charged on interests paid on the Notes to non-PRC Noteholders who, or which are residents of Hong Kong (including enterprise holders and individual holders) as defined in the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) which was promulgated on 21 August 2006 (the "**Arrangement**") will be 7% of the gross amount of the interest pursuant to the Arrangement and relevant interpretation of the Arrangement formulated by the State Administration of Taxation of China ("**SAT**"). To enjoy this preferential tax rate of 7%, the Issuer could apply, on behalf of the Noteholders, to the State Administration of Taxation of the PRC for the application of the tax rate of 7% in accordance with the Arrangement on the interest payable in respect of the Notes.

Value-add Tax ("VAT")

On 23 March 2016, the Ministry of Finance and the SAT issued the Circular of Full Implementation of Business Tax to VAT Reform (《關於全面推開營業稅改徵增值稅試點的通知》(Caishui [2016] No. 36, "**Circular 36**") which confirms that business tax will be completely replaced by VAT from 1 May 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, VAT.

According to Circular 36, the entities and individuals providing the services within China shall be subject to VAT. The services are treated as being provided within China where either the service provider or the service recipient is located in China. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of "loans" under Circular 36, the issuance of Notes is likely to be treated as the holders of the Notes providing loans to the Issuer, which thus shall be regarded as financial services subject to VAT. Further, given that the Issuer is located in the PRC, the holders of the Notes would be regarded as providing the financial services within China and consequently, the holders of the Notes shall be subject to VAT at the rate of 6% when receiving the interest payments under the Notes. In addition, the holders of the Notes shall be subject to the local levies at approximately 12% of the VAT payment and consequently, the combined rate of VAT and local levies would be around 6.72%. Given that the Issuer pays interest income to Noteholders who are located outside of the PRC, the Issuer, acting as the obligatory withholder in accordance with applicable law, shall withhold VAT and local levies from the payment of interest income to Noteholders who are located outside of the PRC.

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

Circular 36 has been issued quite recently, the above statement may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of Circular 36.

Pursuant to the EIT Law and the VAT reform detailed above, the Issuer shall withhold EIT (should such tax apply) from the payments of interest in respect of the Notes for any non-PRC-resident Noteholder and the Issuer shall withhold business tax or VAT (should such tax apply) from the payments of interest in respect of the Notes for any Noteholders located outside of the PRC. However, in the event that the Issuer is required to make such a deduction or withholding (whether by way of EIT, VAT or otherwise), the Issuer has agreed to pay such additional amounts as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required. For more information, see "*Terms and Conditions of the Notes — Taxation*".

Stamp Duty

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

HONG KONG

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal (including any premium payable on redemption of the Notes) or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue and transfer of a Note.

FATCA

Whilst the Notes are in global form and held within the Clearing Systems, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any paying agent and the Clearing Systems, given that each of the entities in the payment chain between the Issuer and the participants in the Clearing Systems is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an intergovernmental agreement will be unlikely to affect the Notes. The Issuer's obligations under the Notes are discharged once it has paid the common depositary for the Clearing Systems (as registered holder of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through hands of the Clearing Systems and custodians or intermediaries. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the Clearing Systems. If this were to happen, then a non-FATCA compliant holder could be subject to withholding tax. However, definitive notes will only be printed in remote circumstances. Further, foreign financial institutions in a jurisdiction which has entered into an IGA are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make.

Noteholders should consult their own advisers about the application of FATCA, in particular if they may be classified as financial institutions under the FATCA rules.

SUBSCRIPTION AND SALE

The Issuer has entered into a subscription agreement with the Joint Lead Managers dated 9 July 2020 (the "**Subscription Agreement**"), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have agreed to, severally but not jointly, subscribe and pay for or to procure subscribers to subscribe and pay for, the Notes at an issue price of 100.00 per cent. of their principal amount indicated in the following table.

	Principal amount of the Notes to be subscribed
	U.S.$
J.P. Morgan Securities plc	140,000,000
Credit Suisse (Hong Kong) Limited	140,000,000
China International Capital Corporation Hong Kong Securities Limited	140,000,000
Morgan Stanley & Co. International plc	60,000,000
UBS AG Hong Kong Branch	30,000,000
Haitong International Securities Company Limited	30,000,000
BOCI Asia Limited	30,000,000
ABCI Capital Limited	30,000,000
Total	**600,000,000**

The Subscription Agreement provides that the Joint Lead Managers and their respective affiliates, and their respective directors, officers and employees will be indemnified against certain liabilities in connection with the offer and sale of the Notes. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent, and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Joint Lead Managers and certain of their respective subsidiaries or affiliates may have in the past perform and may in the future perform certain investment banking and advisory services for, and enter into certain commercial banking transactions with, the Issuer and/or its subsidiaries, from time to time, for which they have received customary fees and expenses. The Joint Lead Managers and their respective subsidiaries or affiliates may, from time to time, engage in transactions with and perform services for the Issuer and/or its subsidiaries in the ordinary course of business.

In connection with the offering of the Notes, the Joint Lead Managers and/or their respective affiliate(s) may act as an investor for its own account and may take up Notes in the offering and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Issuer and may offer or sell such securities or other investments otherwise than in connection with the offering. Accordingly, references herein to the Notes being offered should be read as including any offering of the Notes to the Joint Lead Managers and/or their respective affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. The Joint Lead Managers or their respective affiliates may purchase the Notes for its own account or for the accounts of their customers and enter into transactions, including credit derivative, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or other securities of the Issuer or its subsidiaries or associates at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Notes).

In connection with the issue of the Notes, any of the Joint Lead Managers (or persons acting on its behalf) appointed and acting in such capacity as stabilisation manager (in such capacity, the "**Stabilisation Manager**") may, to the extent permitted by applicable laws and directives, over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail, but in doing so the Stabilisation Manager shall act as principal and not as agent of the Issuer and any loss resulting from over-allotment and stabilisation will be borne, and any profit arising therefrom shall be beneficially retained, by the Stabilisation Manager or, as the case may be, the Joint Lead Managers in the manner agreed by them. However, there is no assurance that the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the Notes is made and, if begun, may be ended at any time, but must end after a limited period.

General

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

No action has been or will be taken in any jurisdiction by the Issuer or the Joint Lead Managers that would permit a public offering, or any other offering under circumstances not permitted by applicable law, of the Notes, or possession or distribution of this Offering Circular, any amendment or supplement thereto issued in connection with the proposed resale of the Notes or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Notes may be distributed or published, by the Issuer or the Joint Lead Managers, in or from any country or jurisdiction, except in circumstances which will result in compliance with all applicable rules and regulations of any such country or jurisdiction and will not impose any obligations on the Issuer or the Joint Lead Managers. If a jurisdiction requires that an offering of Notes be made by a licensed broker or dealer and any Joint Lead Manager or any affiliate of a Joint Lead Manager is a licensed broker or dealer in that jurisdiction, such offering shall be deemed to be made by such Joint Lead Manager or such affiliate on behalf of the Issuer in such jurisdiction.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

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

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

European Economic Area and United Kingdom

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Securities to any retail investor in the European Economic Area or in the United Kingdom. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(b) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

Each of the Joint Lead Managers has represented, warranted and undertaken that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Hong Kong

Each of the Joint Lead Managers has represented, warranted and undertaken that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in Chapter 37 of the Listing Rules and in the SFO and any rules made under that Ordinance.

The People's Republic of China

Each of the Joint Lead Managers has represented and agreed that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan) or for the benefit of, legal or natural persons of the PRC, except as permitted by the applicable laws and regulations of the People's Republic of China.

Singapore

Each of the Joint Lead Managers has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**"). Accordingly, each of the Joint Lead Managers has represented and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase, and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interests (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

    (1) to an institutional investor or to a relevant person as defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

    (2) where no consideration is or will be given for the transfer;

    (3) where the transfer is by operation of law;

    (4) as specified in Section 276(7) of the SFA; or

    (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Japan

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

GENERAL INFORMATION

1. **Clearing Systems**: The Notes have been accepted for clearance through Euroclear and Clearstream under Common Code 217844886 and the International Securities Identification Number for the Notes is XS2178448861.

2. **LEI**: The Issuer's Legal Entity Identifier is 5299006845ISFI2WAI41.

3. **Authorisations**: The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Notes, the Trust Deed and the Agency Agreement. The issue of the Notes and the entry into the transaction documents in connection with the Notes were authorised by resolutions of the Board of Directors of the Issuer on 23 March 2020, and resolutions of the shareholders of the Issuer on 11 May 2020.

4. **No Material Adverse Change**: Save as disclosed in this Offering Circular, there has been no material adverse change, or any development reasonably likely to involve an adverse change, in the financial or trading position, prospects or results of operations of the Issuer since 31 December 2019.

5. **Litigation**: None of the Issuer or any other member of the Group is involved in any litigation or arbitration proceedings that the Issuer believes are material in the context of the Notes, nor is the Issuer aware that any such proceedings are pending or threatened.

6. **Available Documents**: Copies of the Trust Deed and the Agency Agreement will be available for inspection by the Noteholders at all reasonable times during normal business hours (being between 9:00 a.m. (Hong Kong time) and 3:00 p.m. (Hong Kong time), Monday to Friday (other than public holidays)) from the Issue Date at the principal place of business of the Trustee (being as at the Issue Date at 20/F, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong), following prior written request and proof of holding and identity to the satisfaction of the Trustee, so long as any of the Notes is outstanding. Copies of the Group's Financial Statements and the Articles of Association will be available for inspection by the Noteholders at all reasonable times during normal business hours (being between 9:00 a.m. (Hong Kong time) and 3:00 p.m. (Hong Kong time), Monday to Friday (other than public holidays)) from the Issue Date at registered address and office address of the Issuer (being as at the Issue Date at 4-5/F, Associate Mission Building, 169 Yuanmingyuan Road, Shanghai, PRC, following prior written request and proof of holding and identity to the satisfaction of the Issuer, so long as any of the Notes is outstanding.

7. **Financial Statements**: The Group's Financial Statements have been audited by PwC, as stated in its report appearing therein. The Group's Financial Statements are prepared in accordance with HKFRS. These consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions.

8. **Listing**: An application has been made to the Hong Kong Stock Exchange for the listing of the Notes by way of debt issues to Professional Investors only. It is expected that dealing in, and listing of, the Notes on the Hong Kong Stock Exchange will commence on or around 17 July 2020.

INDEX TO FINANCIAL STATEMENTS

Notes:

(1) The audited consolidated financial statements of the Group set out herein have been reproduced from the annual reports for the years ended 31 December 2018 and 2019 and page references to pages set forth the annual reports.

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 106 to 197, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- 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 cash flow statement 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 2018, 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.

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 contracts liabilities and note 43 Insurance contracts liabilities. Refer to note 3.1 Significant accounting judgements and estimates - Valuation of insurance contract liabilities. The Group has insurance contract liabilities stated at RMB 5,327,116 thousand at 31 December 2018, representing 53.99% 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.	We, with the assistance of our actuarial experts, performed the audit procedures listed below. We evaluated and tested the internal controls over data collection and analysis and the assumptions setting processes. We performed independent modelling analysis for insurance contract liabilities as follows: • We compared the underlying data used in the valuation models to the source systems, including earned premiums to accounting records and reported claims to the claims system. • We developed 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.

Independent Auditor's Report

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

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the directors, 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, 25 March 2019

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018
(All amounts expressed in RMB'000 unless otherwise stated)

	Notes	2018	2017
Gross written premiums	7(a)	11,255,718	5,954,475
Less: Premiums ceded to reinsurers	7(b)	(462,622)	(249,310)
Net written premiums	7	10,793,096	5,705,165
Less: Net change in unearned premium reserves	7	(1,992,793)	(1,091,058)
Net premiums earned	7	8,800,303	4,614,107
Net investment income	8	774,485	778,895
Net fair value changes through profit or loss	9	(153,949)	58,800
Other income	10	189,475	131,391
Total income		9,610,314	5,583,193
Net claims incurred	11	(5,268,436)	(2,745,947)
Handling charges and commissions	12	(1,074,756)	(602,719)
Foreign exchange losses		(838)	(138,688)
Finance costs		(43,276)	(4,139)
General and administrative expenses	13	(4,626,959)	(2,885,647)
Other expenses	14	(413,040)	(205,435)
Total expenses		(11,427,305)	(6,582,575)
Share of net profit/(loss) of associates accounted for using the equity method	32	6,830	(2,807)
Loss before income tax		(1,810,161)	(1,002,189)
Income tax	18	13,443	5,833
Net loss for the period		(1,796,718)	(996,356)
Loss attributable to:			
– Owners of the Company		(1,743,895)	(997,250)
– Non-controlling interests		(52,823)	894
		(1,796,718)	(996,356)

	Notes	2018	2017
Loss per share			
– Basic loss per share (RMB yuan)	19	(1.19)	(0.77)
– Diluted loss per share (RMB yuan)	19	(1.19)	(0.77)
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods, net of tax:			
– Changes in fair value of available-for-sale financial assets	20	46,011	(56,052)
– Exchange differences on translation of foreign operations	20	6,939	(4,106)
Other comprehensive income/(loss) for the period	20	52,950	(60,158)
Total comprehensive loss for the period		(1,743,768)	(1,056,514)
Total comprehensive loss for the period attributable to:			
– Owners of the Company		(1,695,654)	(1,055,397)
– Non-controlling interests	6(b)	(48,114)	(1,117)
		(1,743,768)	(1,056,514)

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

The consolidated financial statements and the accompanying notes starting from page 106 to page 197 are signed by:

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

Consolidated Balance Sheet

As at 31 December 2018
(All amounts expressed in RMB'000 unless otherwise stated)

	Notes	At 31 December 2018	At 31 December 2017 Restated
ASSETS			
Cash and cash equivalents	21	2,426,829	5,260,259
Financial assets at fair value through profit or loss	22	9,288,084	5,608,633
Securities purchased under agreements to resell	23	1,038,887	3,043,417
Interest receivables	24	377,895	155,641
Premium receivables	25	2,037,286	523,761
Reinsurance debtors	26	287,379	46,692
Reinsurers' share of insurance contract liabilities	43	243,216	132,423
Available-for-sale financial assets	27	6,572,814	3,191,179
Loans and advances to customers	28	71,295	90,104
Investments classified as loans and receivables	29	597,069	2,089,291
Term deposits	30	960,000	—
Restricted statutory deposits	31	293,963	248,125
Investment in associates	32	344,836	164,399
Property and equipment	33	106,730	85,179
Intangible assets	34	409,261	253,659
Goodwill		3,997	1,047
Deferred tax assets	35	19	—
Other assets	36	1,281,536	255,683
Total assets		26,341,096	21,149,492
EQUITY AND LIABILITIES			
Equity			
Share capital	37	1,469,813	1,469,813
Reserves	38	16,642,673	16,593,652
Accumulated losses		(2,680,447)	(936,552)
Total equity attributable to equity owners of the Company		15,432,039	17,126,913
Non-controlling interests	6(b)	1,042,634	143,783
Total equity		16,474,673	17,270,696
Liabilities			
Securities sold under agreements to repurchase	40	2,552,928	135,400
Premiums received in advance		111,736	75,356
Reinsurance payables	41	355,271	247,831
Income tax payable		927	—
Insurance contract liabilities	43	5,327,116	2,430,076
Investment contract liabilities		—	17,840
Borrowings	42	59,716	—
Deferred income tax liabilities	35	—	—
Contract liabilities		15,205	12,915
Other liabilities	44	1,443,524	959,378
Total liabilities		9,866,423	3,878,796
Total equity and liabilities		26,341,096	21,149,492

Consolidated Statement of Change in Equity

For the year ended 31 December 2018
(All amounts expressed in RMB'000 unless otherwise stated)

		Reserves							
	Share capital	Capital reserves	Other reserves due to share-based payment	Available-for-sale investment revaluation reserves	Foreign currency translation reserves	(Accumulated losses)/ Retained earnings	Total	Non-controlling interests	Total equity
At 1 January 2017	1,240,625	5,505,266	34,579	17,804	—	60,698	6,858,972	—	6,858,972
Total comprehensive income	—	—	—	(56,052)	(2,095)	(997,250)	(1,055,397)	(1,117)	(1,056,514)
Capital injection	229,188	11,105,876	—	—	—	—	11,335,064	—	11,335,064
Transaction with non-controlling interests	—	6,100	—	—	—	—	6,100	144,900	151,000
Share-based payments	—	—	3,041	—	—	—	3,041	—	3,041
Others	—	(20,867)	—	—	—	—	(20,867)	—	(20,867)
At 31 December 2017	1,469,813	16,596,375	37,620	(38,248)	(2,095)	(936,552)	17,126,913	143,783	17,270,696
Total comprehensive income	—	—	—	46,011	2,230	(1,743,895)	(1,695,654)	(48,114)	(1,743,768)
Transaction with non-controlling interests 6(b)	—	—	—	—	—	—	—	950,686	950,686
Share-based payments	—	—	780	—	—	—	780	—	780
Others	—	—	—	—	—	—	—	(3,721)	(3,721)
At 31 December 2018	1,469,813	16,596,375	38,400	7,763	135	(2,680,447)	15,432,039	1,042,634	16,474,673

Consolidated Statement Cash Flow

For the year ended 31 December 2018
(All amounts expressed in RMB'000 unless otherwise stated)

	Notes	Year ended 31 December 2018	Year ended 31 December 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operating activities	45	(1,279,097)	(709,794)
Net cash outflow from operating activities		(1,279,097)	(709,794)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment, intangible assets and other assets		(328,202)	(215,559)
Proceeds from sale of property and equipment, intangible assets and other assets		57	18
Purchases of investments, net		(4,982,424)	(6,670,453)
Acquisition of a subsidiary and other business entities, net		(173,606)	(162,400)
Dividends and others received from investments		546,026	738,393
Net cash outflow from investing activities		(4,938,149)	(6,310,001)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of ordinary shares		—	11,335,064
Proceeds from issues of preference shares		614,185	—
Securities sold under agreements to repurchase, net		2,374,252	(151,413)
Proceeds from capital injection of non-controlling interests		336,501	151,000
Proceeds from borrowings		59,716	—
Other cash payment related to financing activities		—	(65,047)
Net cash inflow from financing activities		3,384,654	11,269,604
Effects of exchange rate changes on cash and cash equivalents		(838)	(142,794)
Net (decrease)/increase in cash and cash equivalents		(2,833,430)	4,107,015
Cash and cash equivalents at the beginning of year		5,260,259	1,153,244
Cash and cash equivalents at the end of year		2,426,829	5,260,259

Notes to Consolidated Financial Statement

For the year ended 31 December 2018
(All amounts expressed in RMB'000 unless otherwise stated)

1. General Information

Approved by the 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 principal accounting policies adopted in the preparation of the Consolidated Financial Statements are set out below. These policies have been consistently applied to the all the years presented unless otherwise stated.

2.1 Basis of preparation

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

(a) Changes in accounting policy and disclosures

The Group has adopted the following revised HKFRSs 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 revised HKFRSs currently has had no significant impact on these consolidated financial statements.

HKFRS 4 Amendments	Applying HKFRS 9 with HKFRS 4 Insurance Contracts
HKFRS 15	Revenue from contracts with customers
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of investment property
HK(IFRIC 22)	Foreign currency transactions and advance consideration

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 Statement

For the year ended 31 December 2018
(All amounts expressed in RMB'000 unless otherwise stated)

2. Summary of Significant Accounting Policies *(continued)*

2.1 Basis of preparation *(continued)*

(a) ***Changes in accounting policy and disclosures*** *(continued)*

HKFRS 15 Revenue from Contracts with Customers

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in HKFRS 15, the Group has adopted the new rules and has restated comparatives for the 2017 financial year. There is no material impact on the financial statements of 2017 retrospectively except that the following reclassification adjustments were made to the amounts recognised in the balance sheet at the date of initial application:

	HKAS 18 carrying amount 31 December 2017	Reclassification	HKFRS 15 carrying amount 31 December 2017
Contract liabilities	—	12,915	12,915
Other liabilities	972,293	(12,915)	959,378
Other assets	254,679	1,004	255,683
Intangible assets	254,663	(1,004)	253,659

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

Standards, amendments and interpretations that have been issued but not yet effective on 1 January 2018 and not been early adopted by the Group as of the Relevant Periods are as follows:

		Effective for annual periods beginning on or after
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2022
HK(IFRIC 23)	Uncertainty over income tax treatments	1 January 2019
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle	1 January 2019

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

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

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

Notes to the Consolidated Financial Statement

For the year ended 31 December 2018
(All amounts expressed in RMB'000 unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

2.1 Basis of preparation (continued)

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

HKFRS 9 and HKFRS 4 Amendments (continued)

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

	As at 31 December 2018 Fair value	2018 Change in the fair value
Financial assets held for trading (A)	9,288,084	(2,780)
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)	5,995,029	(15,828)
– Financial assets not meet SPPI	1,174,854	(25,508)
Total	16,457,967	(44,116)

Credit risk rating grades of financial assets meet SPPI(C)	As at 31 December 2018 Carrying amounts
AAA	4,431,274
A-1	121,360
AA+	1,173,913
AA	247,618
C	20,864
Total	5,995,029

	As at 31 December 2018 Carrying amounts	Fair value
Financial assets not have low credit risk	20,864	20,864

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

2. Summary of Significant Accounting Policies (continued)

2.1 Basis of preparation (continued)

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

HKFRS 16

HKFRS 16, 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that almost all operating leases will be accounted for on balance sheet for lessees, and the only optional exemptions are for certain short-term leases and leases of low-value assets. The standard replaces HKAS 17 'Leases', and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted but only in conjunction with adopting HKFRS 15 'Revenue from contracts with customers' at the same time.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. All right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). The Group does not expect significant impact on the financial statements.

HKFRS 17

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

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

The standard is currently mandatorily effective for annual periods beginning on or after 1 January 2021 and earlier application is permitted, however in November 2018, The International Accounting Standards Board ("IASB") proposed to defer IFRS17 until the finacial period beginning on or after 1 January 2022. The Board had also decided to propose extending to 2022 the temporary exemption for insurers to apply the financial instruments Standard, IFRS 9, so that both IFRS 9 and IFRS 17 can be applied at the same time. The impact is expected to be significant. However, it won't have impact on the Group until be adopted.

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

Notes to the Consolidated Financial Statement

For the year ended 31 December 2018
(All amounts expressed in RMB'000 unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

2.2 Subsidiaries

2.2.1 Consolidation

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

(a) Business combinations

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

2. Summary of Significant Accounting Policies (continued)

2.2 Subsidiaries (continued)

2.2.2 Separate financial statements

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

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

2.2.3 Associates

An associate is an entity over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

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

The Group's share of post-acquisition profit or loss is recognised in the income statement, 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 profit of investments accounted for using equity method' in the income statement.

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. Unrealised 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 income statement.

Notes to the Consolidated Financial Statement

For the year ended 31 December 2018
(All amounts expressed in RMB'000 unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

2.3 Segment reporting

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

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

Segment revenue, results, assets and liabilities include items directly attributable to a segment as well 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 statements of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Group companies

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

2. Summary of Significant Accounting Policies (continued)

2.5 Property and equipment and depreciation

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

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

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

Category	Expected useful life	Estimated residual value rate	Annual depreciation rate
Electrical equipment	5 years	5%	19%
Office furniture and equipment	5 years	5%	19%
Motor vehicles	5 years	5%	19%
Leasehold improvements	3-6 years	0%	17%-33%

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 2.10).

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

Notes to the Consolidated Financial Statement

For the year ended 31 December 2018
(All amounts expressed in RMB'000 unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

2.6 Intangible assets

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

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

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

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

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

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

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

The expected service lives of intangible assets are as follows:

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

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

2. Summary of Significant Accounting Policies (continued)

2.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material but excludes borrowing costs. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.8 Borrowings

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

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

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

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For the year ended 31 December 2018
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2. Summary of Significant Accounting Policies (continued)

2.9 Goodwill

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

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

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

2.10 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. Summary of Significant Accounting Policies (continued)

2.11 Financial assets

(a) *Classification*

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

Financial assets at fair value through profit or loss

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

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

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

Loans and receivables

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

Held-to-maturity financial assets

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

Available-for-sale financial assets

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

Notes to the Consolidated Financial Statement

For the year ended 31 December 2018
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2. Summary of Significant Accounting Policies (continued)

2.11 Financial assets (continued)

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the 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 income statement. 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 from 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 are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in the income statement as net realised gains on financial assets.

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

2.12 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.

2. Summary of Significant Accounting Policies (continued)

2.12 Fair value measurement (continued)

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.

2.13 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.

2.14 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The related collateral value shall also be taken into account. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition or the current effective interest rate if a loan has a variable interest rate).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognized in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the income statement.

Notes to the Consolidated Financial Statement

For the year ended 31 December 2018
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2. Summary of Significant Accounting Policies (continued)

2.14 Impairment of financial assets (continued)

Assets classified as available for sale

For debt securities, 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 equity 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 equity and recognised in profit or loss. Impairment losses recognised in the consolidated in-come statement on equity instruments are not reversed through the consolidated income statement. The Group inspects the equity instrument investments indi-vidually at the balance sheet date. Recognition of an impairment loss is required if the fair value is below the initial investment cost by more than 50% (included) or for a continuous period of more than one year(included). The Group uses the weighted average method to calculate the initial costs of available-for-sale equity investments.

2.15 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.

2.16 Reinsurance

The Group cedes insurance risk in the normal course of business. Reinsurance agreements that transfer significant insurance risk are treated as reinsurance contracts; reinsurance agreements that do not transfer significant insurance risk are not treated as reinsurance contracts.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. At the recognition of direct insurance revenue, the Group recognizes premiums ceded and reinsurance claims recoverable as income and expenses. In the period of recognizing unearned premium reserves and outstanding claim reserves, the Group recognizes reinsurance assets based on estimated cash flow and margin factors.

Reinsurance assets and direct insurance contract liabilities are shown separately in balance sheet. Also, reinsurance income and expenses cannot be offset by direct insurance contract income and expenses in income statement.

2.17 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, bank overdrafts and money market fund.

2. Summary of Significant Accounting Policies (continued)

2.18 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.

2.19 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 recognizes them as insurance contracts directly.

When determining whether reinsurance policies transfer significant insurance risk, the Group considers thoroughly the commercial substance and other relevant contracts and agreements, and if the insurance risk ratio of reinsurance policies is greater than 1%, they are treated as reinsurance contracts. The insurance risk ratio of reinsurance policies is derived by comparing the present value of probability-weighted expected loss with the present value of expected reinsurance premiums. If the reinsurance policies obviously transfer significant insurance risk, the Group directly recognizes them as reinsurance contracts.

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2. Summary of Significant Accounting Policies (continued)

2.20 Testing the significance of insurance risk (continued)

For the purpose of testing the significance of insurance risk, contracts of a similar nature are grouped together. Through considering the risk distribution and characteristics, the Group selects sufficient representative samples to test the significance of insurance risk. If most samples transfer significant insurance risk, all contracts in the group are treated as insurance contracts.

The assumptions used for testing the significance of insurance risk mainly include expected ultimate loss ratio, mortality and morbidity, loss distribution, etc. The Group determines such assumptions based on historical experiences and the estimation on future development trends so as to reflect the Group's product characters and actual claim payments.

2.21 Insurance contract liabilities

The Company's insurance contract liabilities include unearned premium reserves and claim incurred reserves.

When measuring insurance contract liabilities, insurance contracts whose insurance risks are of a similar nature are classified as a measurement unit. The Company's contracts mainly include credit insurance, bond insurance, enterprise property insurance, household property insurance, health insurance, accident insurance, liability insurance, cargo insurance, motor insurance and other insurance.

Insurance contract liabilities are measured based on a reasonable estimate of the amount of payments when the Company 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 income statement 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 income statement, 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 income statements.

The Group amortises the residual margin on a time basis during the whole insurance coverage period and records it in profit or loss.

When measuring insurance contract liabilities, time value of money is considered. The related future cash flows are discounted when the impact of time value of money is significant. For short duration contracts which duration is within one year, the cash flows are not discounted. The discount rate used in the measurement of time value of money is determined with reference to information currently available as at the end of each reporting date and is not locked.

2. Summary of Significant Accounting Policies (continued)

2.21 Insurance contract liabilities (continued)

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 to relevant nature and risk distribution.

The Company performs liability adequacy tests using discounted cash flow method at the balance sheet date. Additional insurance contract liabilities should be made and recognized in the income statement if any deficiency exists.

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 Company. The Company 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 Company. The Company uses loss ratio method and chain ladder method to measure IBNR claim reserves based on a reasonable estimate of the ultimate claims amount and the margin factor, and after considering industry benchmark and experience data, etc.

Claim expense reserves represent insurance contract provisions for related claims handling costs. The Company uses case-by-case estimate method for direct claim expense reserves and ratio allocation method to measure indirect claim expense reserves with consideration to margin factor.

2.22 Investment contract liabilities

Investment contract liabilities mainly represent liabilities with regard to the non-insurance portion of related contracts, and those contracts which do not pass the testing of significant insurance risk. For those non-life investment type policies without guaranteed benefits, the related contract liabilities are measured at fair value and the related transaction costs are recognized in the statement of income. Commissions and other expenses incurred, net of receipts from initial charges that are meant to compensate such costs, are recognized as transaction costs in the initial amount of the liabilities.

2.23 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.

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2. Summary of Significant Accounting Policies (continued)

2.24 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the income statement, 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's 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 realised 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.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, 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 income statement together with the deferred gain or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be recovered.

2. Summary of Significant Accounting Policies (continued)

2.25 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 these 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.

2.26 Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- Including any market performance conditions;
- Excluding the impact of any service and non-market performance vesting conditions;
- Including the impact of any non-vesting conditions.

At the end of each reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, 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.

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2. Summary of Significant Accounting Policies (continued)

2.27 Revenue recognition

Revenue is recognized on the following bases:

(a) *Premium revenue*

Premium revenue is recognized when the insurance contract are issued and the related insurance risk is undertaken by the Group, the economic benefits associated with the insurance contract will probably flow to the Group and when the revenue can be measured reliably.

Premiums from direct insurance contracts are recognized as revenue based on the amount of total premiums stated in the contracts.

(b) *Investment and interest income*

Investment income includes interest from term deposits, fixed maturity securities, securities purchased under agreements to resell, dividends from investment funds and securities, etc.

Interest income is recognized on an accrual basis using the effective interest rate method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Dividends are recognized when the shareholders' right to receive payment is established.

(c) *Revenue from services*

The Group provides services including IT system solution, design, implementation and support under fixed-price. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual labour hours spent relative to the total expected labour hours.

Some contracts include multiple deliverables, such as the sale of software and related installation services. However, the installation is simple, does not include an integration service and could be performed by another party. It is therefore accounted for as a separate performance obligation.

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. 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.

2. Summary of Significant Accounting Policies (continued)

2.27 Revenue recognition (continued)

(c) Revenue from services (continued)

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

If the contract includes an hourly fee, revenue is recognised in the amount to which the Group has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced.

(d) Sale of goods

Revenue from the sale of product is recognised when a group entity sells a product to the customer. Payment of the transaction price is due immediately when the customer purchases the product.

2.28 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.29 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 income statement 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 income statement on a straight-line basis over the expected lives of the related assets.

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3. Significant Accounting Judgements and Estimates

The preparation of the Group's consolidated financial statements requires directors of the Company to make judgements and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

3.1 Valuation of insurance contract liabilities

When measuring the insurance contract liabilities, the Group needs to make a reasonable estimate of the amounts that the Group is required to pay in fulfilling the obligations under the insurance contracts. Such estimates are determined by calculating various possible outcomes and relevant probabilities based on information currently available as at the balance sheet date.

At the balance sheet date, the Group makes estimates of the assumptions used in the measurement of insurance contract liabilities. The Group determines such assumptions based on information currently available as at the balance sheet date and a risk adjustment is considered.

Unearned premium reserves

When performing liability adequacy tests of unearned premium reserves, the Group use discounted cash flow method to judge if any deficiency exists. Main assumptions in measuring discounted cash flow include discount rate, expense assumptions, loss ratios and risk margin, etc.

(a) Discount rate

Cash flow will not be discounted when being measured because the durations of all 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. Depending on these factors, the Group's expense assumption is uncertain.

(c) Loss ratios

The Group develops its loss ratio assumption on analysis of its historical claims payments experience, future development trends and industry experiences.

(d) Risk margin

The risk margin represents provision for the uncertainty associated with the future cash flows. The risk adjustment is determined by reference to the industry benchmark and the risk adjustment for future cash flows is 5.5 percent of unbiased estimate of future net cash flow present value.

Claim reserves

Claim reserve depends mainly on claim development factors and expected ultimate loss ratio to predict the future cost of claims. Claim developments factors and the expected ultimate loss ratio for various measurement units are based on past claims development experience and loss ratios, taking into consideration changes in company 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 margin was determined at 5 percent.

4 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 to its customers;
- The Others segment includes entities other than the insurance segment and the technology segment, which provides international IT consulting, insurance brokerage, bio technology and loan services.

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

99.8% of the Group's revenue is derived from its operations in the PRC. 96.1% of the Group's assets are located in PRC. In 2018, the income from transactions with the top five external customers amounted to 12.1% (2017 10.1%) of the Group's total segment income.

Segment income statement for the year ended 31 December 2018

	Insurance	Technology	Others	Eliminations	Total
Gross written premiums	11,263,109	—	—	(7,391)	11,255,718
Less: Premiums ceded to reinsurers	(462,622)	—	—	—	(462,622)
Net change in unearned premium reserves	(1,990,937)	—	—	(1,856)	(1,992,793)
Net premiums earned	8,809,550	—	—	(9,247)	8,800,303
Net Investment income	761,309	439	7,929	4,808	774,485
Net fair value changes through profit or loss	(153,949)	—	—	—	(153,949)
Share of net profits/(loss) of associates for using the equity method	17,727	(10,803)	(94)	—	6,830
Other revenues and other gains	56,328	103,703	41,279	(11,835)	189,475
Segment income	9,490,965	93,339	49,114	(16,274)	9,617,144
Net claims incurred	(5,282,748)	—	—	14,312	(5,268,436)
Handling charges and commissions	(1,074,756)	—	—	—	(1,074,756)
Foreign exchange gains/(losses)	3,275	—	(4,113)	—	(838)
Finance costs	(40,891)	(1,239)	(1,146)	—	(43,276)
General and administrative expenses	(4,437,478)	(25,777)	(160,854)	(2,850)	(4,626,959)
Other expenses	(4,034)	(406,545)	(4,913)	2,452	(413,040)
Segment expenses	(10,836,632)	(433,561)	(171,026)	13,914	(11,427,305)
Loss before income tax	(1,345,667)	(340,222)	(121,912)	(2,360)	(1,810,161)
Income tax	15,355	—	(1,912)	—	13,443
Net loss	(1,330,312)	(340,222)	(123,824)	(2,360)	(1,796,718)

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For the year ended 31 December 2018
(All amounts expressed in RMB'000 unless otherwise stated)

4 Segment Reporting (continued)

Segment balance sheet at 31 December 2018

	Insurance	Technology	Others	Eliminations	Total
Cash and cash equivalents	944,369	145,792	1,336,668	—	2,426,829
Financial assets	18,669,688	4,780	154,387	(6,743)	18,822,112
Insurance receivables	2,567,881	—	—	—	2,567,881
Investment in associates and subsidiaries	1,322,565	351,516	11,932	(1,341,177)	344,836
Other assets	2,140,855	290,555	71,932	(323,904)	2,179,438
Segment assets	25,645,358	792,643	1,574,919	(1,671,824)	26,341,096
Insurance contract liabilities	5,328,198	—	(2,882)	1,800	5,327,116
Securities sold under agreements to repurchase	2,552,928	—	—	—	2,552,928
Other liabilities	1,809,488	336,149	170,054	(329,312)	1,986,379
Segment liabilities	9,690,614	336,149	167,172	(327,512)	9,866,423

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.

Insurance receivables comprise premium receivables, reinsurance debtors and reinsurers' share of insurance contract liabilities.

Other segment information for the year ended 31 December 2018

	Insurance	Technology	Others	Eliminations	Total
Depreciation and amortization	88,761	21,802	2,066	—	112,629
Capital expenditure	154,489	123,869	49,844	—	328,202
Impairment loss charges	121,727	761	(43)	14,256	136,701
Interest income	692,908	7,525	281	—	700,714
Interest expense	40,891	1,239	1,146	—	43,276
Unrealized gains/(loss) from financial assets at fair value through profit or loss	(153,949)	—	—	—	(153,949)

4 Segment Reporting (continued)

Segment income statement for the year ended 31 December 2017

	Insurance	Technology	Others	Eliminations	Total
Gross written premiums	5,957,353	—	—	(2,878)	5,954,475
Less: Premiums ceded to reinsurers	(249,310)	—	—	—	(249,310)
Net change in unearned premium reserves	(1,093,940)	—	—	2,882	(1,091,058)
Net premiums earned	4,614,103	—	—	4	4,614,107
Net Investment income	770,723	7,600	572	—	778,895
Net fair value changes through profit or loss	58,800	—	—	—	58,800
Share of net profits/(loss) of associates for using the equity method	(1,162)	(925)	(720)	—	(2,807)
Other revenues and other gains	74,370	40,743	21,856	(5,578)	131,391
Segment income	5,516,834	47,418	21,708	(5,574)	5,580,386
Net claims incurred	(2,745,947)	—	—	—	(2,745,947)
Handling charges and commissions	(602,719)	—	—	—	(602,719)
Foreign exchange gains/(losses)	(141,407)	—	2,719	—	(138,688)
Finance costs	(4,139)	—	—	—	(4,139)
General and administrative expenses	(2,890,387)	(261)	(118)	5,119	(2,885,647)
Other expenses	(17,990)	(155,979)	(32,151)	685	(205,435)
Segment expenses	(6,402,589)	(156,240)	(29,550)	5,804	(6,582,575)
Loss before income tax	(885,755)	(108,822)	(7,842)	230	(1,002,189)
Income tax	5,833	—	—	—	5,833
Net loss	(879,922)	(108,822)	(7,842)	230	(996,356)

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For the year ended 31 December 2018
(All amounts expressed in RMB'000 unless otherwise stated)

4 Segment Reporting (continued)

Segment balance sheet at 31 December 2017

	Insurance	Technology	Others	Eliminations	Total
Cash and cash equivalents	4,983,218	25,391	251,650	—	5,260,259
Financial assets	13,683,910	87,324	254,230	(2,840)	14,022,624
Insurance receivables	702,876	—	—	—	702,876
Investment in associates and subsidiaries	1,012,371	332,878	11,280	(1,192,130)	164,399
Other assets	987,263	69,640	10,856	(68,425)	999,334
Segment assets	21,369,638	515,233	528,016	(1,263,395)	21,149,492
Insurance contract liabilities	2,432,958	—	—	(2,882)	2,430,076
Securities sold under agreements to repurchase	135,400	—	—	—	135,400
Other liabilities	1,248,312	118,518	16,153	(69,663)	1,313,320
Segment liabilities	3,816,670	118,518	16,153	(72,545)	3,878,796

Other segment information for the year ended 31 December 2017

	Insurance	Technology	Others	Eliminations	Total
Depreciation and amortization	71,954	1,199	4	—	73,157
Capital expenditure	188,364	26,056	1,139	—	215,559
Impairment loss charges	17,491	—	910	—	18,401
Interest income	283,845	—	18	—	283,863
Interest expense	4,139	—	—	—	4,139
Unrealized gains/(loss) from financial assets at fair value through profit or loss	58,800	—	—	—	58,800

5. Management of Insurance and Financial Risk

(a) Insurance risk

The risk under any one 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 benefit 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 premium income in Note 7.

Key assumptions

Outstanding claims reserves are mainly based on assumptions of expected ultimate loss ratio which is determined after considering industry benchmark, experience data, discount and margin factors. Significant cases need to be considered separately and reflected by estimated amount. These assumptions are made in respect of incurred net claim costs, claims handling costs, risk profile of the Group's line of business, claims inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as changes in internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key assumptions include explicit margin, delays in settlement, etc.

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:

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For the year ended 31 December 2018
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5. Management of Insurance and Financial Risk (continued)

(a) Insurance risk (continued)

Changes in expected ultimate loss ratio

	31 December 2018	
	Impact on profit before income tax	Impact on total equity
+1%	(91,633)	(91,633)
–1%	91,633	91,633

Changes in expected ultimate loss ratio

	31 December 2017	
	Impact on profit before income tax	Impact on total equity
+1%	(48,710)	(48,710)
– 1%	48,710	48,710

5. Management of Insurance and Financial Risk (continued)

(a) Insurance risk (continued)

Claim development tables

The following tables reflect the cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each balance sheet date, together with cumulative payments to date.

Gross insurance claim reserves:

	Accident year					
	2014	**2015**	**2016**	**2017**	**2018**	**Total**
Estimate of ultimate claim cost as of:						
End of current year	517,522	1,322,518	1,501,551	2,698,058	**5,396,412**	
One year later	493,173	1,192,162	1,433,179	2,577,762		
Two years later	492,987	1,179,983	1,440,112			
Three years later	492,624	1,182,255				
Four years later	492,598					
Current estimate of cumulative claims	492,598	1,182,255	1,440,112	2,577,762	**5,396,412**	11,089,139
Cumulative payments to date	(492,598)	(1,180,123)	(1,406,249)	(2,346,304)	**(4,266,549)**	(9,691,823)
Liability in respect of prior years, unallocated loss adjustment expenses, assumed business, discount and risk adjustment margin						143,926
Total gross claim reserves included in the consolidated statements of financial position						1,541,242

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For the year ended 31 December 2018
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5. Management of Insurance and Financial Risk (continued)

(a) Insurance risk (continued)

Claim development tables *(continued)*

Net insurance claim reserves:

	Accident year					
	2014	2015	2016	2017	2018	Total
Estimate of ultimate claim cost as of:						
End of current year	514,695	1,304,608	1,494,242	2,638,157	5,161,833	
One year later	492,173	1,174,671	1,424,327	2,493,902		
Two years later	491,978	1,162,482	1,431,445			
Three years later	491,615	1,164,753				
Four years later	491,589					
Current estimate of cumulative claims	491,589	1,164,753	1,431,445	2,493,902	5,161,833	10,743,522
Cumulative payments to date	(491,589)	(1,162,623)	(1,397,604)	(2,275,452)	(4,133,369)	(9,460,637)
Liability in respect of prior years, unallocated loss adjustment expenses, assumed business, discount and risk adjustment margin						138,207
Total net claim reserves included in the consolidated statements of financial position						1,421,092

5. Management of Insurance and Financial Risk (continued)

(b) Financial risk

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks, which arise from foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

(i) Currency risk

Currency risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group operates principally in the PRC with only limited exposure to foreign exchange rate risk arising primarily from certain foreign currency bank deposit in United States dollar ("USD"), Hong Kong dollar ("HKD") or Japanese yen ("JPY").

The following tables summarize the Group's exposure to foreign currency exchange rate risk at the balance sheet date by categorizing by major currency.

	As at 31 December 2018			
	HKD'000	USD'000	JPY'000	Equivalent to RMB
Cash and short-term time deposits	1,067,315	7,831	172,693	999,615
Financial assets at fair value through profit or loss	117,762	—	—	103,183
Available-for-sale financial assets	36,071	—	—	31,605
Other receivable	17,782	—	—	15,581
Total	1,238,930	7,831	172,693	1,149,984

	As at 31 December 2017		
	HKD'000	USD'000	Equivalent to RMB
Cash and short-term time deposits	113,760	13,613	184,045
Financial assets at fair value through profit or loss	218,638	—	182,762
Total	332,398	13,613	366,807

The Group has no significant concentration of currency risk.

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For the year ended 31 December 2018
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5. Management of Insurance and Financial Risk (continued)

(b) Financial risk (continued)

Market risk *(continued)*

(i) Currency risk (continued)

Sensitivities

The analysis below is performed to show the reasonably possible movements in foreign currency exchange rates with all other assumptions held constant, showing the pre-tax impact on profit before tax of the Group (due to changes in fair value of currency sensitive monetary assets and liabilities) and equity of the Group when the foreign exchange rates of USD, HKD and JPY 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 2018	
	Impact on profit before income tax	Impact on total equity
+5%	55,919	57,499
–5%	(55,919)	(57,499)

Changes in exchange rate

	31 December 2017	
	Impact on profit before income tax	Impact on total equity
+5%	18,340	18,340
–5%	(18,340)	(18,340)

5. Management of Insurance and Financial Risk (continued)

(b) Financial risk (continued)

***Market risk** (continued)*

(ii) Interest rate risk

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

The Group's interest risk policy requires it to manage interest rate risk by maintaining an appropriate match of fixed and variable rate instruments. The policy also requires it to manage the maturity of interest-bearing financial assets and interest-bearing financial liabilities.

Sensitivities

The analysis below is performed for reasonably possible movements in interest rate with all other variables held constant, for the following financial instruments, showing the pre-tax impact on profit and 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 equity when RMB interest rate changes.

Changes in RMB interest rate

	31 December 2018	
	Impact on profit before income tax	Impact on total equity
+50 basis points	(95,110)	(157,913)
–50 basis points	99,368	163,810

Changes in RMB interest rate

	31 December 2017	
	Impact on profit before income tax	Impact on total equity
+50 basis points	(6,150)	(33,283)
–50 basis points	6,284	33,874

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For the year ended 31 December 2018
(All amounts expressed in RMB'000 unless otherwise stated)

5. Management of Insurance and Financial Risk (continued)

(b) Financial risk (continued)

***Market risk** (continued)*

(iii) Price risk

Equity price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Sensitivities

The analysis below is performed to show the reasonably possible movements in price with all other assumptions held constant, showing the pre-tax impact on profit before income tax and total equity of the Group when the price of relevant financial instruments vary.

Changes in price

	31 December 2018	
	Impact on profit before income tax	Impact on total equity
+5%	61,388	111,582
–5%	(61,388)	(111,582)

Changes in price

	31 December 2017	
	Impact on profit before income tax	Impact on total equity
+5%	146,338	148,823
–5%	(146,338)	(148,823)

5. Management of Insurance and Financial Risk (continued)

(b) Financial risk (continued)

Credit risk

Credit risk refers to the risk that one side of 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, premiums receivable, 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 China Insurance Regulatory Commission, the Group's debt-based investments mainly include government bonds and corporate bonds, etc. As at 31 December 2018, the majority of corporate bonds and short-term corporate financing bonds held by the Group had domestic credit rating A- 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.

Notes to the Consolidated Financial Statement

For the year ended 31 December 2018
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5. Management of Insurance and Financial Risk (continued)

(b) Financial risk (continued)

Credit risk *(continued)*

The following table shows the maximum credit risk exposure to assets in the balance sheet that face credit risk. The maximum credit risk exposure is the amount prior to the consideration of the guarantee or other credit enhancement methods.

	As at 31 December 2018					
		Past due but not impaired				
	Neither past due nor impaired	Less than 1 year	More than 1 year	Total past due but not impaired	Impaired	Total
Cash and short-term time deposits	2,426,829	—	—	—	—	2,426,829
Financial assets at fair value through profit or loss	6,474,854	—	—	—	—	6,474,854
Securities purchased under agreements to resell	1,038,887	—	—	—	—	1,038,887
Premium receivables	2,037,286	—	—	—	11,133	2,048,419
Reinsurance debtors	287,379	—	—	—	—	287,379
Interest receivables	377,895	—	—	—	—	377,895
Available-for-sale financial assets	5,377,096	—	—	—	100,000	5,477,096
Investments classified as loans and receivables	597,069	—	—	—	—	597,069
Loans and advances to customers	69,858	1,437	—	1,437	15,102	86,397
Term deposits	960,000	—	—	—	—	960,000
Restricted statutory deposits	293,963	—	—	—	—	293,963
Others	838,720	—	—	—	—	838,720
Total	20,779,836	1,437	—	1,437	126,235	20,907,508

5. Management of Insurance and Financial Risk (continued)

(b) Financial risk (continued)

Credit risk (continued)

	As at 31 December 2017					
		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 short-term time deposits	5,260,259	—	—	—	—	5,260,259
Financial assets at fair value through profit or loss	619,597	—	—	—	—	619,597
Securities purchased under agreements to resell	3,043,417	—	—	—	—	3,043,417
Premium receivables	523,761	—	—	—	—	523,761
Reinsurance debtors	46,692	—	—	—	—	46,692
Interest receivables	155,641	—	—	—	—	155,641
Available-for-sale financial assets	2,972,969	—	—	—	—	2,972,969
Investments classified as loans and receivables	2,089,291	—	—	—	—	2,089,291
Loans and advances to customers	90,104	—	—	—	889	90,993
Restricted statutory deposits	248,125	—	—	—	—	248,125
Others	120,693	—	—	—	—	120,693
Total	15,170,549	—	—	—	889	15,171,438

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 and investment 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.

Notes to the Consolidated Financial Statement

For the year ended 31 December 2018
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5. Management of Insurance and Financial Risk (continued)

(b) Financial risk (continued)

Liquidity risk *(continued)*

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

	As at 31 December 2018					
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Assets:						
Cash and short-term time deposits	2,356,829	70,027	—	—	—	2,426,856
Financial assets at fair value through profit or loss	—	1,270,667	4,986,923	1,689,882	2,813,230	10,760,702
Securities purchased under agreements to resell	—	1,038,887	—	—	—	1,038,887
Premium receivables	—	2,026,922	10,363	—	—	2,037,285
Reinsurance debtors	—	287,379	—	—	—	287,379
Available-for-sale financial assets	—	1,303,289	4,068,784	1,039,854	1,174,854	7,586,781
Investments classified as loans and receivables	—	35,250	343,103	389,900	—	768,253
Loans and advances to customers	—	71,295	—	—	—	71,295
Term deposits	—	301,065	837,300	—	—	1,138,365
Restricted statutory deposits	—	49,193	276,227	—	—	325,420
Other assets	—	756,349	82,371	—	—	838,720
Total	2,356,829	7,210,323	10,605,071	3,119,636	3,988,084	27,279,943
Liabilities:						
Securities sold under agreements to repurchase	—	2,552,928	—	—	—	2,552,928
Reinsurance payables	—	355,271	—	—	—	355,271
Borrowings	—	59,716	—	—	—	59,716
Other liabilities	—	1,092,396	—	—	19,522	1,111,918
Total	—	4,060,311	—	—	19,522	4,079,833

5. Management of Insurance and Financial Risk (continued)

(b) Financial risk (continued)

Liquidity risk *(continued)*

	As at 31 December 2017					
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Assets:						
Cash and short-term time deposits	4,457,659	808,543	—	—	—	5,266,202
Financial assets at fair value through profit or loss	—	936,567	284,975	92,882	4,389,036	5,703,460
Securities purchased under agreements to resell	—	3,043,417	—	—	—	3,043,417
Premium receivables	—	523,761	342,729	—	—	866,490
Reinsurance debtors	—	46,692	—	—	—	46,692
Available-for-sale financial assets	—	1,444,236	1,880,442	165,238	218,210	3,708,126
Investments classified as loans and receivables	—	1,444,208	519,438	409,850	—	2,373,496
Loans and advances to customers	—	98,054	—	—	—	98,054
Restricted statutory deposits	—	306,475	—	—	—	306,475
Other assets	—	84,924	35,769	—	—	120,693
Total	4,457,659	8,736,877	3,063,353	667,970	4,607,246	21,533,105
Liabilities:						
Securities sold under agreements to repurchase	—	135,400	—	—	—	135,400
Investment contract liabilities	—	—	17,840	—	—	17,840
Reinsurance payables	—	247,831	—	—	—	247,831
Other liabilities	—	675,538	—	—	43,110	718,648
Total	—	1,058,769	17,840	—	43,110	1,119,719

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5. Management of Insurance and Financial Risk (continued)

(b) Financial risk (continued)

Maximum exposure of structured entities

The Group uses structured entities in the normal course of business for a number of purposes, for example, structured transactions for institutions, to provide finance to public and private section infrastructure projects, and to generate fees from managing assets on behalf of third-party investors. These structured entities are financed through the contracts.

The following table shows the total assets of the various types of unconsolidated structured entities. The table also shows the Group's maximum exposure to the unconsolidated structured entities representing the Group's maximum possible risk exposure that could occur as a result of the Group's arrangements with structured entities. The maximum exposure is contingent in nature and approximates the sum of the total assets of unconsolidated structured entities.

As at 31 December of 2018, Group's maximum exposure are shown below:

	At 31 December 2018
Wealth management products	1,731,257
Investment funds	1,463,927
Trust investment schemes	597,069
Unlisted equity investments	25,180
Total	3,817,433

(c) Operational risk

Operational risk is the risk of loss arising from inadequacy or failure on business processes, human error, information system failure, and etc. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial losses.

The Group is exposed to many types of operational risks in the conduct of its business, from inadequate or failure to obtain proper authorizations or supporting documentation to comply with operational and informational security procedures that prevent frauds or errors by employees, payment security, system attack and Trojan virus such information risks based on the Internet.

The Group cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access controls, authorization and reconciliation procedures, staff education and assessment processes, including the use of compliance check and internal audit.

5. Management of Insurance and Financial Risk (continued)

(d) Capital management risks

The capital demands of the Group is mainly based on the Company size, types of debt business, industry and geographic location. Further objectives are set by the Group to maintain a strong credit rating and healthy solvency margin capital ratios in order to support its business objectives and maximize shareholders' value.

The Group manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. The Group will adjust the capital level when the economic condition and risk characteristics of the operating activities changes.

As at 31 December of 2018, 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.

	At 31December 2018	At 31 December 2017
Core capital	15,135,283	16,865,286
Actual capital	15,135,283	16,865,286
Minimum required capital	2,524,270	1,431,317
Core solvency margin ratio	600%	1,178%
Comprehensive solvency margin ratio	600%	1,178%

According to the relevant regulations, if the actual solvency margin of an insurance company falls below the minimum solvency margin, the CIRC may take additional necessary measures depending on the circumstances, until the minimum solvency margin requirement is satisfied.

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5. Management of Insurance and Financial Risk (continued)

(e) Fair value measurement

Fair value estimates are made at a specific point in time based on relevant market information and information about financial instruments. When an active market exists, such as an authorized securities exchange, the market value is the best reflection of the fair values of financial instruments. For financial instruments where there is no active market, fair value is determined using valuation techniques.

The Group's financial assets mainly include cash and short-term time deposits, financial assets at fair value through profit or loss, available-for-sale financial assets, restricted statutory deposits, and etc.

Determination of fair value and fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchies. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The levels of the fair value hierarchy are as follows:

(a) Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities ("Level 1");

(b) Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) ("Level 2"); and

(c) Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) ("Level 3").

The level of fair value calculation is determined by the lowest level input with material significant in the overall calculation. As such, the significance of the input should be considered from an overall perspective in the calculation of fair value.

For Level 2 financial instruments, valuations are generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. Valuation service providers typically gather, analyse and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities. Debt securities traded among Chinese interbank market are classified as Level 2 when they are valued at recent quoted price from Chinese interbank market or from valuation service providers. Substantially most financial instruments classified within Level 2 of the fair value hierarchy are debt investments denominated in RMB. Fair value of debt investments denominated in RMB is determined based upon the valuation results by the China Central Depository & Clearing Co., Ltd, China Securities Depository and Clearing Corporation Limited and Shanghai Clearing House. All significant inputs are observable in the market.

For Level 3 financial instruments, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement, and valuation methodologies such as discounted cash flow models and other similar techniques. The Group's valuation team may choose to apply internally developed valuation method to the assets or liabilities being measured, determine the main inputs for valuation, and analyse the change of the valuation and report it to management. Key inputs involved in internal valuation services are not based on observable market data. They reflect assumptions made by management based on judgements and experiences.

For assets and liabilities that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

5. 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:

	As at 31 December 2018			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Financial assets at fair value through profit or loss				
– Fund investments	748,691	—	—	748,691
– Equity investments	479,074	—	—	479,074
– Debt investments	2,410,420	4,064,434	—	6,474,854
– Wealth management products	—	1,585,465	—	1,585,465
Available-for-sale financial assets				
– Debt investments	1,627,363	3,770,597	—	5,397,960
– Equity investments	288,646	—	—	288,646
– Fund investments	715,236	—	—	715,236
– Wealth management products	—	145,792	—	145,792
– Unlisted equity investments	—	—	25,180	25,180
	6,269,430	9,566,288	25,180	15,860,898
Assets for which fair values are disclosed				
Investments classified as loans and receivables	—	—	597,069	597,069

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5. Management of Insurance and Financial Risk (continued)

(e) Fair value measurement (continued)

Determination of fair value and fair value hierarchy *(continued)*

	As at 31 December 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets measured at fair value				
Financial assets at fair value through profit or loss				
– Fund investments	1,734,380	—	—	1,734,380
– Equity investments	1,192,382	—	—	1,192,382
– Debt investments	402,982	216,615	—	619,597
– Wealth management products	—	2,062,274	—	2,062,274
Available-for-sale financial assets			—	
– Debt investments	736,392	2,192,032	—	2,928,424
– Fund investments	49,699	—	—	49,699
– Wealth management products	44,545	143,421	—	187,966
– Unlisted equity investments	—	—	25,090	25,090
	4,160,380	4,614,342	25,090	8,799,812
Assets for which fair values are disclosed				
Investments classified as loans and receivables	—	—	2,089,291	2,089,291

5. 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:

	As at 31 December 2018			
	Beginning of year	Increase	Net unrealised gain recognized in other comprehensive income	End of year
Available-for-sale financial assets – Unlisted equity investments	25,090	90	—	25,180

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.

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6. Subsidiaries

(a) The Company's subsidiaries as at 31 December 2018 are as follows:

Name	Place of operations	Place of incorporation/ registration	Nature of business	Registered capital (thousand)	Percentage of equity/voting rights attributable to the Company	Acquisition Mode
Hangzhou Qihui Internet Technology Limited Company ("Hangzhou Qihui")	Hangzhou	Hangzhou	Technology Development/ Technology Consulting	RMB3,000	100.00%	Equity Purchase
Beijing Youwozai Technology Beijing Co., Ltd ("Beijing Youwozai")	Beijing	Beijing	Technology Development/ Technology Consulting	RMB1,000	60.00%	Set-up
Chongqing ZhongAn Microloan Limited Company ("ZhongAn Microloan")	Chongqing	Chongqing	Micro Finance	RMB300,000	70.00%	Set-up
ZhongAn Technologies International Group Limited ("ZhongAn International")	Hong Kong	Hong Kong	Technology Development/ Technology Consulting	RMB110,000	51.00%	Set-up
ZA Tech Global Limited ("ZA Tech Global") (a)	Hong Kong	Hong Kong	Technology Development/ Technology Consulting	HKD10	51.00%	Set-up
ZA Tech Global (Cayman) Limited ("ZA Tech Global Cayman") (b)	Cayman Islands	Cayman Islands	Technology Development/ Technology Consulting	USD50	51.00%	Set-up
ZA Tech Japan LLC ("ZA Japan") (c)	Tokyo Japan	Tokyo Japan	Technology Development/ Technology Consulting	JPY20,000	51.00%	Set-up
Ningbo Haoyin Biotechnology Co., Ltd. ("Ningbo Haoyin") (d)	Ningbo	Ningbo	Bio Technology	RMB66,700	54.87%	Set-up
ZhongAn Financial Services Limited ("ZA Financial") (e)	Hong Kong	Hong Kong	Investment holding	HKD1,000,000	33.15%	Set-up
ZhongAn Virtual Finance Limited ("ZA Virtual Finance") (f)	Hong Kong	Hong Kong	Virtual Finance	HKD1,000,000	33.15%	Set-up
ZhongAn Information Technology Services Limited Company ("ZhongAn Information") (g)	Shanghai	Shenzhen	Technology Development/ Technology Consulting	RMB900,000	100.0%	Set-up
ZhongAn Online Insurance Broker Limited Company ("ZhongAn Insurance Broker") (h)	Guangzhou	Guangzhou	Insurance Broker	RMB100,000	100.0%	Set-up
ZhongAn (ShenZhen) Life Sciences Co., Ltd ("ZhongAn Life Sciences") (i)	Shenzhen	Shenzhen	Bio Technology	RMB70,000	100.0%	Set-up
Shanghai Lianmo Information Technology Co., Ltd. ("Shanghai Lianmo") (j)	Shanghai	Shanghai	Technology Development/ Technology Consulting	RMB5,000	100.0%	Equity Purchase

6. Subsidiaries (continued)

(a) (continued)

(a) On 28 May 2018, ZhongAn International set up ZA Tech Global, with registered capital of HKD10 thousand. ZhongAn International holds 100% of the voting rights in ZA Tech Global.

(b) On 14 June 2018, ZA Tech Global set up ZA Tech Global Cayman, with registered capital of USD50 thousand. ZA Tech Global holds 100% of the voting rights of ZA Tech Global Cayman. ZhongAn International holds 100% of the voting rights of ZA Tech Global Cayman through ZA Tech Global. ZhongAn Information holds 100% of the voting rights of ZA Tech Global Cayman through ZhongAn International.

(c) On 3 July 2018, ZA Tech Global set up ZA Japan, with registered capital of JPY20,000 thousand. ZA Tech Global holds 100% of the voting rights of ZA Japan. ZhongAn International holds 100% of the voting rights of ZA Japan through ZA Tech Global, and ZhongAn Information holds 100% of the voting rights of ZA Japan through ZhongAn International.

(d) On 3 August 2018, pursuant to the joint venture formation agreement with ORIG3N, Inc. ZhongAn Life Sciences invested RMB36,600 thousand representing 54.87% of the total registered capital of Ninbo Haoyin.

(e) On 3 August 2018, ZhongAn International set up ZA Financial, with registered capital of HKD1,000,000 thousand. ZhongAn International holds 65% of the voting rights of ZA Financial, and ZhongAn Information holds 65% of the voting rights of ZA Financial through ZhongAn International.

(f) On 8 August 2018, ZA Financial set up ZA Virtual Finance, with registered capital of HKD1,000,000 thousand. ZA Financial holds 100% of the voting rights of ZA Virtual Finance.

(g) On 22 August 2018, 31 October 2018 and 21 December 2018, the Company respectively injected RMB200,000 thousand, RMB100,000thousand and RMB100,000 thousand separately into ZhongAn Information, increasing its registered capital to RMB900,000 thousand. The Company holds 100% voting rights of ZhongAn Information.

(h) On 3 December 2018, the Company injected RMB50,000 thousand into ZhongAn Insurance Broker, increasing its registered capital to RMB100,000 thousand. The Company holds 100% voting rights of ZhongAn Insurance Broker.

(i) On 31 August 2018, ZhongAn Information injected RMB20,000 thousand into ZhongAn Life Sciences, increasing its registered capital to RMB70,000 thousand. After this transaction, ZhongAn Information holds 100% of the voting rights of ZhongAn Life Sciences.

(j) On 30 December 2018, ZhongAn Information subscribed 30% equity of Shanghai Lianmo by RMB1,500 thousand pursuant to the equity transfer agreement with Shenzhen Guanghuanyuanjing Investment Limited Company. After this transaction, ZhongAn Information holds 30% of the voting rights of Shanghai Lianmo. On 12 December 2018, ZhongAn Information subscribed 70% equity of Shanghai Lianmo by RMB3,500 thousand pursuant to the equity transfer agreement with Shenzhen Guanghuanyuanjing Investment Limited Company. After this transaction, ZhongAn Information holds 100% of the voting rights of Shanghai Lianmo. Goodwill of RMB2,950 thousand was recognized.

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6. Subsidiaries (continued)

(b) Non-controlling interests

Set out below is summarised financial information for each subsidiary that has non-controlling interests (NCI) that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

	Percentage of equity attribute to the NCI	Profit/(Loss) attributable to NCI	Equity attributable to NCI
ZhongAn Microloan	30.00%	2,115	(91,334)
ZhongAn International	49.00%	(54,262)	(921,877)
Ningbo Haoyin	45.13%	(677)	(29,423)

	At 31 December 2018		At 31 December 2017	
	Assets	Liabilities	Assets	Liabilities
ZhongAn Microloan	342,894	38,448	299,175	1,777
ZhongAn International	1,022,497	101,422	110,691	1,688
Ningbo Haoyin	71,374	18,536	—	—

	Year ended 31 December 2018			Year ended 31 December 2017		
	Revenue	Profit for the year	Total comprehensive income	Revenue	Profit for the year	Total comprehensive income
ZhongAn Microloan	21,071	7,049	7,049	281	(2,602)	(2,602)
ZhongAn International	12,012	(112,624)	(108,513)	699	3,109	(998)
Ningbo Haoyin	5,779	(13,285)	(13,285)	—	—	—

Changes in non-controlling interests

	ZhongAn Microloan	ZhongAn International	Ningbo Haoyin
At 31 December 2017	89,219	55,553	—
Issue of preference shares (i)	—	614,185	—
Capital injection (ii)	—	306,401	30,100
Total comprehensive income	2,115	(54,262)	(677)
At 31 December 2018	91,334	921,877	29,423

i. On 15 August 2018, Sinolink Worldwide Holdings Limited ("Sinolink Worldwide") and Warrior Treasure Limited ("Warrior") injected RMB482,477 (HKD550,000) thousand and RMB87,723 (HKD100,000) thousand into ZhongAn International repectively, in consideration for redeemable preference shares, respectively. On 13 December 2018, Sinolink Worldwide further injected RMB43,985 (HKD50,000) thousand into ZhongAn International in consideration for redeemable preference shares.

ii. On 3 August 2018, China CITIC Bank International Limited injected RMB306,401 thousand into ZA Financial. After this transaction, China CITIC Bank International Limited holds 35% of the voting rights of ZA Financial.

On 3 August 2018, ORIG3N, Inc. injected RMB30,100 thousand into Ninbo Haoyin. After this transaction, ORIG3N, Inc. holds 45.13% of the voting rights of Ninbo Haoyin.

6. Subsidiaries (continued)

(c) As at 31 December 2018, consolidated structured entities material to the Group are as followings:

Name	Holding by the Company (%)	Total Subscription (RMB'000)	Principal activities
ZhongAn LeXiang No.1 Asset Management Plan	100%	4,861,639	Asset Management Product
ZhongAn TaiKang Asset Management Plan	100%	5,857,720	Asset Management Product
ZhongAn TaiPing Asset Management Plan	100%	1,400,823	Asset Management Product
ZhongAn ZhongYing No.2 Asset Management Plan	100%	50,437	Asset Management Product
E Fund ZhongAn Insurance No.1 Asset Management Plan	100%	400,000	Asset Management Product
China Southern Asset Management ZhongAn Insurance No.1 Asset Management Plan	100%	700,000	Asset Management Product
Harvest Fund ZhongAn Insurance No.1 Asset Management Plan	100%	300,000	Asset Management Product
China Universal Asset Management ZhongAn Insurance No.1 Asset Management Plan	100%	300,000	Asset Management Product
ICBC Credit Suisse Asset Management ZhongAn Insurance No.1 Asset Management Plan	100%	800,000	Asset Management Product
Tai Kang Wen Ying Ju Li Deposit No.73 Asset Management Product	100%	300,000	Asset Management Product

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7. Net Premiums Earned

	Year ended 31 December 2018	Year ended 31 December 2017
Gross written premiums(a)	11,255,718	5,954,475
– Property and casualty insurance written premiums	6,690,556	3,539,827
– Short-term life insurance written premium	4,565,162	2,414,648
Less: Premiums ceded to reinsurers(b)	(462,622)	(249,310)
Net written premiums	10,793,096	5,705,165
Less: Net change in unearned premium reserves	(1,992,793)	(1,091,058)
Net premiums earned	8,800,303	4,614,107

(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 2018	Year ended 31 December 2017
Health insurance	2,365,378	938,507
Bond insurance	2,267,705	818,454
Accident insurance	2,199,784	1,476,141
Credit insurance	1,492,190	525,727
Motor insurance	1,146,030	77,901
Liability insurance	467,179	426,468
Cargo insurance	148,623	111,792
Household property insurance	33,480	56,674
Others	1,135,349	1,522,811
	11,255,718	5,954,475

Others primarily is consisted of shipping return insurance, which generated gross written premiums of RMB1,057,889 thousand and RMB1,224,985 thousand, in the years ended 31 December 2018 and 2017, respectively.

7. Net Premiums Earned (continued)

(b) Premiums ceded to reinsurers

	Year ended 31 December 2018	Year ended 31 December 2017
Accident insurance	233,736	65,134
Health insurance	222,590	180,360
Liability insurance	4,742	2,756
Cargo insurance	1,332	1,037
Household property insurance	109	7
Others	113	16
	462,622	249,310

8. Net Investment Income

	Year ended 31 December 2018	Year ended 31 December 2017
Interest income		
– Bond investment	517,414	141,173
– Investments classified as loans and receivables	95,842	108,487
– Bank deposit	63,008	26,260
– Securities purchased under agreements to resell	24,450	7,943
Dividend income		
– Fund investment	89,161	105,887
– Equity investment	39,703	19,544
– Wealth management products	13,515	9,184
Realized (loss)/gains, net	(68,608)	360,417
	774,485	778,895

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9. Net Fair Value Changes Through Profit or Loss

	Year ended 31 December 2018	Year ended 31 December 2017
Financial assets designated at fair value through profit or loss		
– Debt investments	82,321	2,776
– Wealth management products	19,639	1,111
– Fund investments	(22,468)	281
– Equity investments	(233,441)	54,632
	(153,949)	58,800

10. Other Income

	Year ended 31 December 2018	Year ended 31 December 2017
Revenue from services (a)	108,692	65,442
Government grants (b)	54,031	48,131
Interest income from loans and advances to customers (c)	19,877	281
Sale of goods (d)	1,189	15,622
Others	5,686	1,915
	189,475	131,391

(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) Interest income from loans and advances to customers is derived from small loan business operated by ZhongAn Microloan, one of the subsidiaries of the Company.

(d) The income of sale of goods is mainly derived from an online platform operated by Hangzhou Qihui, one of the subsidiaries of the Company.

11. Net Claims Incurred

	Year ended 31 December 2018	Year ended 31 December 2017
Insurance claims paid (a)	4,650,741	2,343,893
– Property and casualty insurance claims paid	3,640,997	1,957,882
– Short-term life insurance claims paid	1,009,744	386,011
Less: Claims paid ceded to reinsurers (b)	(175,759)	(31,340)
Net claims incurred	4,474,982	2,312,553
Add: Net change in insurance contract liabilities	793,454	433,394
	5,268,436	2,745,947

(a) Insurance claims paid

	Year ended 31 December 2018	Year ended 31 December 2017
Bond insurance	1,011,941	306,183
Credit insurance	983,973	295,287
Health insurance	619,589	186,660
Accident insurance	390,155	199,351
Liability insurance	370,499	196,971
Motor insurance	232,994	6,162
Cargo insurance	136,040	64,988
Household property insurance	52,982	29,652
Others	852,568	1,058,639
	4,650,741	2,343,893

Others primarily is consisted of shipping return insurance, the insurance claims incurred of which were RMB790,939 thousand and RMB936,111 thousand in the years ended 31 December 2018 and 2017, respectively.

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11. Net Claims Incurred (continued)

(b) Claims paid ceded to reinsurers

	Year ended 31 December 2018	Year ended 31 December 2017
Health insurance	106,108	21,729
Accident insurance	69,325	9,577
Liability insurance	51	1
Household property insurance	21	1
Cargo insurance	2	—
Others	252	32
	175,759	31,340

12. Handling Charges and Commissions

	Year ended 31 December 2018	Year ended 31 December 2017
Handling charges and commissions before reinsurance arrangement	1,237,029	623,909
Less: Reinsurance expense recovered	(162,273)	(21,190)
Handling charges and commissions	1,074,756	602,719

13. General and Administrative Expenses

	Year ended 31 December 2018	Year ended 31 December 2017
Consulting fee and service charge (a)	2,741,296	1,604,510
Employee benefit expense	839,995	621,686
Advertising costs	210,079	202,183
Impairment loss	136,701	17,491
Rental fees	117,290	88,419
Amortisation of intangible assets	64,567	53,378
Taxes and surcharges	46,713	24,505
Depreciation of Property, plant and equipment	27,020	18,576
Auditors' remuneration	8,921	5,400
Other	434,377	249,499
	4,626,959	2,885,647

(a) The Group enters into consulting and technical service fee arrangements with different counterparties, with the related technical service fee being determined based on the customer volume introduced and services provided by the counterparties. As the main operating costs, the Group periodically settles consulting and technical service fee based on the provisions of the contracts.

14. Other Expenses

	Year ended 31 December 2018	Year ended 31 December 2017
Cost of providing services	331,776	136,058
Other	81,264	69,377
	413,040	205,435

15. Employee Benefit Expense (including Directors' and Supervisors' Remuneration)

	Year ended 31 December 2018	Year ended 31 December 2017
Salaries, allowances and other short-term benefits	703,410	504,863
Contributions to defined contribution plans (a)	135,805	113,782
Share-based payments	780	3,041
	839,995	621,686

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

16. Directors' and Supervisors' Remuneration

	Year ended 31 December 2018	Year ended 31 December 2017
Wages, salaries and bonuses	5,208	2,295
Share-based payments	174	652
Pension costs - defined contribution plans	102	46
Other social security costs, housing benefits and other employee benefits	104	41
	5,588	3,034

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16. Directors' and Supervisors' Remuneration (continued)

(a) Independent non-executive directors

	Year ended 31 December 2018				
	Wages, salaries and bonuses	Pension costs - defined contribution plans	Other social security costs, housing benefits and other employee benefits	Share-based payments	Total
CHEN Hui (陳慧)	125	—	—	—	125
ZHANG Shuang (張爽)	125	—	—	—	125
DU Li (杜力)	125	—	—	—	125
LI YIFAN	125	—	—	—	125
Wu Ying (吳鷹)	125	—	—	—	125
	625	—	—	—	625

	Year ended 31 December 2017				
	Wages, salaries and bonuses	Pension costs - defined contribution plans	Other social security costs, housing benefits and other employee benefits	Share-based payments	Total
CHEN Hui (陳慧)	125	—	—	—	125
ZHANG Shuang (張爽)	125	—	—	—	125
DU Li (杜力)	125	—	—	—	125
LI YIFAN	125	—	—	—	125
Wu Ying[1] (吳鷹)	63	—	—	—	63
ZHENG Fang[2] (鄭方)	11	—	—	—	11
	574	—	—	—	574

1. Independent non-executive director since July 2017
2. Resign from Independent non-executive director since March 2017

16. Directors' and Supervisors' Remuneration (continued)

(b) Executive directors and non-executive directors

	Year ended 31 December 2018				
	Wages, salaries and bonuses	Pension costs - defined contribution plans	Other social security costs, housing benefits and other employee benefits	Share-based payments	Total
Executive directors					
OU Yaping (歐亞平)	—	—	—	—	—
CHEN Jin (陳勁)	1,750	51	44	174	2,019
Ou Jinyi (歐晉羿)	1,231	—	—	—	1,231
Non-executive directors:					
HAN Xinyi (韓歆毅)	—	—	—	—	—
LAI Chi Ming, Jimmy (賴智明)	—	—	—	—	—
WANG Guoping (王國平)	63	—	—	—	63
HU Xiaoming (胡曉明)		—			
ZHENG Fang (鄭方)	63	—	—	—	63
	3,107	51	44	174	3,376

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16. Directors' and Supervisors' Remuneration (continued)

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

	Year ended 31 December 2017				
	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[1] (歐亞平)	—	—	—	—	—
CHEN Jin (陳勁)	1,300	46	41	652	2,039
Ou Jinyi[2] (歐晉羿)	200	—	—	—	200
Non-executive directors:	—	—	—	—	—
OU Yaping[3] (歐亞平)	—	—	—	—	—
HAN Xinyi (韓歆毅)	—	—	—	—	—
LAI Chi Ming, Jimmy (賴智明)	—	—	—	—	—
WANG Guoping (王國平)	63	—	—	—	63
HU Xiaoming (胡曉明)	—	—	—	—	—
ZHENG Fang[4] (鄭方)	52	—	—	—	52
Ou Jinyi[5] (歐晉羿)	31	—	—	—	31
	1,646	46	41	652	2,385

1. Executive director since September 2017
2. Executive director since November 2017
3. Resign from non-executive director since September 2017
4. Non-executive director since March 2017
5. Non-executive director between July 2017 and November 2017

16. Directors' and Supervisors' Remuneration (continued)

(c) Supervisors

	Year ended 31 December 2018				
	Wages, salaries and bonuses	Pension costs - defined contribution plans	Other social security costs, housing benefits and other employee benefits	Share-based payments	Total
GAN Baoyan (干寶雁)	25	—	—	—	25
WEN Yuping (溫玉萍)	25	—	—	—	25
Xiang Lei[1] (向雷)	513	16	30	—	559
Liu Haijiao[2] (劉海嬌)	913	35	30	—	978
	1,476	51	60	—	1,587

1. Resign from Supervisors since May 2018
2. Supervisor since May 2018

	Year ended 31 December 2017				
	Wages, salaries and bonuses	Pension costs - defined contribution plans	Other social security costs, housing benefits and other employee benefits	Share-based payments	Total
GAN Baoyan (干寶雁)	25	—	—	—	25
WEN Yuping (溫玉萍)	25	—	—	—	25
Xiang Lei[1] (向雷)	25	—	—	—	25
DING Jin[2] (丁晉)	—	—	—	—	—
	75	—	—	—	75

1. Supervisor since May 2017
2. Resign from Supervisor since January 2017

There was no payment of their other services in connection with the management of the affairs of the Company or its subsidiary undertaking during the years ended 31 December 2018 and 2017, respectively.

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17. Five Highest Paid Individuals

The number of highest paid non-director individuals whose remuneration fell within the following bands is set out below:

	Year ended 31 December 2018	Year ended 31 December 2017
Nil to RMB1,000,000	—	—
RMB1,000,001 to RMB2,000,000	5	5
RMB2,000,001 to RMB3,000,000	—	—
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 2018	Year ended 31 December 2017
Wages, salaries and bonuses	8,562	5,407
Share-based payments	—	1,089
Pension costs — defined contribution plans	192	183
Other social security costs, housing benefits and other employee benefits	194	165
	8,948	6,844

18. Income Tax

(a) Income tax

	Year ended 31 December 2018	Year ended 31 December 2017
Current income tax	1,912	—
Deferred income tax (note 35)	(15,355)	(5,833)
	(13,443)	(5,833)

(b) Reconciliation of income tax

A reconciliation of the tax expense applicable to profit before income tax using the applicable income tax rate to the tax expense at the Group's effective tax rate is as follows:

	Year ended 31 December 2018	Year ended 31 December 2017
Loss before income tax	(1,810,161)	(1,002,189)
Tax computed at the statutory tax rate	(407,705)	(250,547)
Income not subject to tax	(12,352)	(26,379)
Expenses not deductible for tax	8,983	3,950
Deductable temporary differences for which no deferred income tax asset was recognised	397,265	267,141
Others	366	2
Income tax expense/(credit) at the Group's effective rate	(13,443)	(5,833)

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19. Loss Per Share

Basic loss per share is calculated by dividing net profit for the year by the weighted average number of shares in issue during the year. Diluted loss per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares.

The calculation of loss per share is based on the following:

	Year ended 31 December 2018	Year ended 31 December 2017
Net loss for the year attributable to owners of the Company	(1,743,895)	(997,250)
Weighted average number of shares in issue (in thousand)	1,469,813	1,295,431
Basic loss per share	(1.19)	(0.77)
Diluted loss per share	(1.19)	(0.77)

The Company had no dilutive potential shares as at 31 December 2018 and 2017, respectively.

20. Other Comprehensive Income

	Year ended 31 December 2018	Year ended 31 December 2017
Other comprehensive loss to be reclassified to profit or loss in subsequent periods, net of tax:		
– Reclassification adjustments for amounts transferred to profit or loss	17,960	(18,534)
– Fair value change on available-for-sale financial assets	(35,749)	(56,202)
– Impairment charges reclassified to the income statement	79,136	—
	61,347	(74,736)
Income tax relating to available-for-sale financial assets	(15,336)	18,684
Exchange differences on translation of foreign operations	6,939	(4,106)
Other comprehensive income/(loss)	52,950	(60,158)

21. Cash and Cash Equivalents

	At 31 December 2018	At 31 December 2017
Time deposits with original maturity of no more than three months	2,360,898	5,009,516
Other monetary assets (a)	65,931	250,743
	2,426,829	5,260,259

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

22. Financial Assets at Fair Value Through Profit or Loss

All the Group's financial assets at fair value through profit or loss are as follows:

	At 31 December 2018	At 31 December 2017
Listed		
– Debt investments	2,410,420	402,982
– Equity investments	479,074	1,192,382
– Fund investments	73,823	—
Unlisted		
– Debt investments	4,064,434	216,615
– Wealth management products	1,585,465	2,062,274
– Fund investments	674,868	1,734,380
	9,288,084	5,608,633

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23. Securities Purchased Under Agreements to Resell

	At 31 December 2018	At 31 December 2017
Securities - bonds		
– Inter-bank market	660,987	857,517
– Stock exchange	377,900	2,185,900
	1,038,887	3,043,417

24. Interest Receivables

	At 31 December 2018	At 31 December 2017
Debt investments	316,818	83,199
Loans	33,398	21,030
Bank deposits	32,840	48,993
Securities purchased under agreements to resell	1,019	2,419
Less: Impairment provisions	(6,180)	—
	377,895	155,641

25. Premium Receivables

	At 31 December 2018	At 31 December 2017
Premium receivables	2,048,419	523,761
Provision for impairment of premium receivables	(11,133)	—
	2,037,286	523,761

An aging analysis of the premium receivables is as follows:

	At 31 December 2018	At 31 December 2017
Within 3 months (including 3 months)	1,933,879	390,793
Over 3 months and within 1 year (including 1 year)	93,044	123,002
Over 1 year	10,363	9,966
	2,037,286	523,761

26. Reinsurance Debtors

	At 31 December 2018	At 31 December 2017
Reinsurance debtors	287,379	46,692
Provision for impairment of reinsurance debtors	—	—
	287,379	46,692

An aging analysis of reinsurance debtors is as follows:

	At 31 December 2018	At 31 December 2017
Within one year	277,735	44,852
Over one year	9,644	1,840
	287,379	46,692

27. Available-for-Sale Financial Assets

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

	At 31 December 2018	At 31 December 2017
Listed		
– Debt investments	1,627,363	736,392
– Equity investments	288,646	—
– Fund investments	80,602	—
– Wealth management products	—	44,545
Unlisted		
– Debt investments	3,849,733	2,192,032
– Fund investments	634,634	49,699
– Wealth management products	145,792	143,421
– Equity investments	25,180	25,090
Less: Impairment provisions	(79,136)	—
	6,572,814	3,191,179

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28. Loans and Advances to Customers

(a) Analyzed by corporate and individual

	At 31 December 2018	At 31 December 2017
Individual customers	81,797	86,093
Corporate customers	4,600	4,900
Less: Loan loss provisions	(15,102)	(889)
	71,295	90,104

All the loans and advances to customers are unsecured.

(b) Loan loss provision

As at 1 January 2018	889
Provision of the year	17,997
Reversal of the year	(3,784)
As at 31 December 2018	15,102

29. Investments Classified as Loans and Receivables

	At 31 December 2018	At 31 December 2017
Trust investment scheme	597,069	929,794
Wealth management products	—	1,159,497
	597,069	2,089,291

As at 31 December of 2018 and 2017, the underlying loan assets of the trust investment schemes were neither pass due nor impaired. After considering the creditability of each of the counterparties and the collateral or guarantee obtained, no impairment was provided for such loan assets. The Group's maximum exposure to loss in the trust investment schemes is limited to its carrying amounts, see Note 5(b).

30. Term Deposits

Maturity Period	At 31 December 2018	At 31 December 2017
3 months to 1 year (including 1 year)	300,000	—
4 to 5 years (including 5 years)	660,000	—
	960,000	—

31. Restricted Statutory Deposits

	At 31 December 2018	At 31 December 2017
At the beginning of the year	248,125	248,125
Addition	45,838	—
At the end of the year	293,963	248,125

	As at 31 December 2018		
	Amount	Storage	Period
China Citic Bank	145,838	Term deposit	3 years
China Everbright Bank	100,000	Term deposit	3 years
China Everbright Bank	48,125	Term deposit	1 years
Total	293,963		

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31. Restricted Statutory Deposits (Continue)

	As at 31 December 2017		
	Amount	**Storage**	**Period**
China Everbright Bank	100,000	Term deposit	5 years
China Citic Bank	100,000	Term deposit	5 years
China Merchants Bank	48,125	Term deposit	3 years
Total	248,125		

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

Under the approval from the China Insurance Regulatory Commission (Bao Jian Xu Ke [2018] No 146) in January 2018, the Company further placed restricted statutory deposits of RMB45,838 thousand in aggregate in China Citic Bank in February 2018.

32. Investment in Associates

	At 1 January 2018	Additions	Share of profit/ (loss)	Reduction	At 31 December 2018
Shanghai Dexu Investment Center (Limited Partnership) ("Shanghai Dexu") (a)	148,838	150,000	17,915	—	316,753
ZA-CP Network Technology (Shanghai) Co., Ltd. (the "ZA-CP") (b)	—	10,387	(698)	—	9,689
Youwozai (Beijing) Network Technology Limited Company ("Youwozai (Beijing)")	15,561	—	(8,450)	—	7,111
Shenzhen Small and Medium P&C-Union Investment Co., Ltd. (the "Shenzhen Small and Medium") (c)	—	6,000	(188)	—	5,812
Shanghai Nuanwa Technology Co., Ltd (the"Shanghai Nuanwa") (d)	—	4,400	(1,173)	—	3,227
Shanghai Xiaojia Financial Technology Service Co., Ltd. (the "Shanghai Xiaojia") (e)	—	2,400	(156)	—	2,244
Shanghai Lianmo Information Technology Co., Ltd. ("Shanghai Lianmo")	—	1,500	(420)	(1,080)	—
	164,399	174,687	6,830	(1,080)	344,836

32. Investment in Associates (Continued)

(a) On 14 September 2018, the Company together with Guangzhou Detong Investment Management Limited Company and Tongxiu Commercial Factoring Co., Ltd. injected RMB250,000 thousand into Shanghai Dexu, amongst which the Company injected RMB150,000 thousand. The Company acts as a limited partner with 1 vote out of 5 in the Investments Committee.

(b) On 24 December 2017, Zhongan Life Sciences signed the capital injection agreement with Colgate-Palmolive (H.K.) Holding Limited to set up ZA-CP. Pursuant to the capital injection agreement, in 2018 the Company invested RMB10,387 thousand representing 50% of the registered capital.

(c) On 2 August 2018, the Company signed the capital injection agreement with other investors to set up Shenzhen Small and Medium. Pursuant to the capital injection agreement, the Company invested RMB6,000 thousand representing 2.3% of the total registered capital. The Company acts as a shareholder with 1 designated director out of 7 in the board of directors.

(d) On 2 August 2018, ZhongAn Information signed the capital injection agreement with Shenzhen GuanghuaYuanjing Investment Limited Company (the "Shenzhen GuanghuaYuanjing") to set up Shanghai Nuanwa. Pursuant to the capital injection agreement, ZhongAn Information invested RMB500 thousand representing 50% of the total paid-in capital. On 21 November 2018, ZhongAn Information, together with Shenzhen GuanghuaYuanjing further injected RMB9,000 thousand into Shanghai Nuanwa, amongst which ZhongAn Information injected RMB3,900 thousand, and Shanghai Nuanwa increased its registered capital to RMB10,000 thousand. As a result, ZhongAn Information obtained 44% voting rights of Shanghai Nuanwa.

(e) On 16 July 2018, ZhongAn Microloan signed the capital injection agreement with other investors to set up Shanghai Xiaojia. Pursuant to the capital injection agreement, the Company invested RMB2,400 thousand representing 8% of the registered capital. ZhongAn Microloan acts as a shareholder with 1 designated director out of 5 in the board of directors.

Nature of investment in associates as at 31 December 2018

Name	Place of incorporation	Percentage of ownership interest	Percentage of voting power	Registered capital	Paid-up capital	Principal activity
Shenzhen Small and Medium	Shenzhen	2.3%	2.3%	260,000	212,000	Investment consulting
Shanghai Dexu	Shanghai	60.0%	20.0%	500,000	202,500	Investment management
Youwozai (Beijing)	Beijing	40.7%	40.7%	1,966	1,460	Technology consulting
Shanghai Nuanwa	Shanghai	44.0%	44.0%	10,000	4,400	Technology consulting
Shanghai Xiaojia	Shanghai	8.0%	8.0%	30,000	30,000	Financial technology services
ZA-CP	Shanghai	50.0%	50.0%	USD3,000	USD3,000	Technology consulting

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33. Property and Equipment

	Motor vehicles	Electrical equipment	Office furniture and equipment	Leasehold improvements	Total
Cost					
At 1 January 2017	3,330	22,506	3,973	40,998	70,807
Additions	—	14,178	2,474	33,626	50,278
Disposals	—	(19)	—	—	(19)
At 31 December 2017	3,330	36,665	6,447	74,624	121,066
Additions	813	15,724	2,470	40,716	59,723
Disposals	—	(76)	(22)	—	(98)
At 31 December 2018	**4,143**	**52,313**	**8,895**	**115,340**	**180,691**
Accumulated depreciation and impairment					
At 1 January 2017	(1,550)	(4,483)	(621)	(10,502)	(17,156)
Depreciation charge	(633)	(5,539)	(1,171)	(11,391)	(18,734)
Disposals	—	3	—	—	3
At 31 December 2017	(2,183)	(10,019)	(1,792)	(21,893)	(35,887)
Depreciation charge	(688)	(8,398)	(1,544)	(27,486)	(38,116)
Disposals	—	33	9	—	42
At 31 December 2018	**(2,871)**	**(18,384)**	**(3,327)**	**(49,379)**	**(73,961)**
Net book value					
At 31 December 2017	1,147	26,646	4,655	52,731	85,179
At 31 December 2018	**1,272**	**33,929**	**5,568**	**65,961**	**106,730**

34. Intangible Assets

	Software	Patent	Other	Total
Cost				
At 1 January 2017	169,593	—	19	169,612
Additions	177,620	—	—	177,620
At 31 December 2017	347,213	—	19	347,232
Additions	222,282	30,100	1,807	254,189
At 31 December 2018	**569,495**	**30,100**	**1,826**	**601,421**
Accumulated amortisation and impairment				
At 1 January 2017	(21,654)	—	(5)	(21,659)
Amortization	(54,421)	—	(2)	(54,423)
Impairment	(17,491)	—	—	(17,491)
At 31 December 2017	(93,566)	—	(7)	(93,573)
Amortization	(73,327)	(1,003)	(183)	(74,513)
Impairment	(24,074)	—	—	(24,074)
At 31 December 2018	**(190,967)**	**(1,003)**	**(190)**	**(192,160)**
Carrying amount				
At 31 December 2017	253,647	—	12	253,659
At 31 December 2018	**378,528**	**29,097**	**1,636**	**409,261**

35. Deferred Income Tax Assets and Liabilities

	At 31 December 2018	**At 31 December 2017**
Net deferred income tax liabilities, at the beginning of year	**—**	(24,517)
Recognized in profit or loss	**15,355**	5,833
Recognized in other comprehensive income	**(15,336)**	18,684
Net deferred income tax assets or liabilities, at the end of year	**19**	—

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35. Deferred Income Tax Assets and Liabilities (Continue)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	At 31 December 2018	At 31 December 2017
Deferred income tax assets/(liabilities)		
Accumulated taxable losses	288,152	293,504
Insurance contract liabilities	83,565	30,964
Amortisation of intangible assets	15,086	5,301
Impairment loss provisions	13,608	4,600
Employee stock ownership plan	9,600	9,405
Unrealized gains of structured entities	(403,668)	(318,731)
Net fair value adjustment on available-for-sale financial assets	(2,587)	12,749
Net fair value adjustment on financial assets carried at fair value through profit or loss	695	(37,792)
Share of net profit of associates and joint ventures accounted for using the equity method	(4,432)	—
Net deferred income tax assets or liabilities	19	—
Represented by		
Deferred income tax assets	408,119	356,523
Deferred income tax liabilities	(408,100)	(356,523)

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 2018, the Group did not recognise deferred income tax assets of RMB626,524 thousand in respect of losses amounting to RMB2,723,217 thousand that can be carried forward against future taxable income.

36. Other Assets

	At 31 December 2018	At 31 December 2017
Coinsurance expense to be reimbursed	375,294	—
Subrogation receivable	342,516	—
Advanced payment	337,012	165,724
Deposits	82,371	35,769
Estimate of input tax	50,754	31,813
Assets recognised from costs to fulfil a contract	20,469	1,004
Others	73,120	21,373
Total	1,281,536	255,683

37. Share Capital

	At 31 December 2018	At 31 December 2017
Number of shares issued and fully paid at RMB1 yuan each	1,469,813	1,469,813

38. 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.

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38. Reserves (Continue)

(c) General reserves

In accordance with the relevant regulations, general reserves should be set aside to cover catastrophic losses as incurred by companies operating in the insurance business. The Company would need to make appropriations for such reserve based on their respective year end net profit determined in accordance with PRC GAAP, and based on the applicable PRC financial regulations, in the annual financial statements. Such reserve is not available for profit distribution or transfer as capital injection.

Since the Company does not have net profit at its company level instead of Group level, no reserve has been provided.

(d) 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.

39. Share-Based Payments

(a) 2014 Share Option Plan

On 4 December 2014, the general meeting of shareholders of the Company approved the establishment of an equity-settled share-based compensation plan (the "2014 Share Option Plan") that provides the granting options to eligible directors and employees (collectively, the "Grantees") to acquire shares of the Compamy at an exercise price of RMB1.5 yuan per share. Upon the 2014 Share Option Plan, shares have been reserved by one of the shareholders of the Company, namely Unifront Holding Limited. (Unifront Holding), for Grantees.

On 9 January 2015, the Company granted 60,000,000 share options to its directors and employees. Subject to the Grantee continuing to be a service provider, 100% of these options were vested upon fulfilling the condition in the share option agreement. Since then, these options were vested over 4 years.

39. Share-Based Payments (Continue)

(b) Revised 2014 Share Option Plan

Pursuant to "Bao Jian Fa [2015] No.56 – Notice on Relevant Matters Concerning the Insurance Companies to Carry Out Employee Stock Plan" issued by CIRC on 2 July 2015, the Company modified the terms and conditions of 2014 Share Option Plan. Such revised 2014 Share Option Plan ("Share Ownership Plan") has been approved by the general meeting of shareholders of the Company on 18 December 2015.

Under the Share Ownership Plan, Unifront Holding transferred 60,000,000 shares to two holding vehicles ("Holding Vehicles"), namely Shanghai Haoguan Investment Management Partnership (Limited Partnership) ("Shanghai Haoguan") and Shanghai Qianguo Investment Management Partnership (Limited Partnership) ("Shanghai Qianguo"). Aggregate considerations amounting to RMB90,000 thousand for such shares transfer have been paid by the two Holding Vehicles to Unifront Holding, after the Holding Vehicles received the cash paid in by the Grantees at the exercise price of RMB1.5 yuan per share.

Holding Vechiles	Number of shares of the Company held by the Holding Vechiles	Exercise price per share	Aggregrate cash paid in by the Grantees	Cash settled to Unifront Holding
Shanghai Haoguan	28,570,000	RMB1.5 yuan	42,855	42,855
Shanghai Qianguo	31,430,000	RMB1.5 yuan	47,145	47,145

The Grantees can dispose their interests in the Holding Vehicles after the Company successfully complete an initial public offering and the Company's shares get listed in the stock exchange ("IPO and listing") and a three-year locking period ("Locking Period") after the IPO and listing. The Grantees will be entitled to a disposal of 25% of such interests in the Holding Vehicles each year after the Locking Period.

The Group has no legal or constructive obligations to repurchase the shares of the Company from the Holding Vechiles.

In five years, if the Company fails to complete an IPO and listing, Unifront Holding will have the constructive obligation to repurchase the shares held by the Holding Vehicles. The repurchase price will be determined at arm's length.

The directors have used the income approach-discounted cash flow method to determine the fair value of the shares of the Company, and adopted Black-Scholes Option Pricing Model and Binomial Option Pricing Model to determine the fair value of the underlying share options. Key assumptions, such as discount rate and projections of future performance, are required to be determined by the Directors with best estimate.

Based on fair value of the underlying shares, the directors have used Binominal pricing model to determine the fair value of the share options as of the grant date, which amounted to RMB0.64 yuan per share option. Key assumptions are set out as below:

Dividend rate(%)	0.00
Volatility(%)	44
Risk-free interest rate(%)	3.427
Life of options(in years)	9.4
Estimate share price at grant date according to income approach(in RMB yuan)	1.4
Exercise price(in RMB yuan)	1.5

The total expenses recognized in the consolidated statements of comprehensive income for employee ownership plan is disclosed in Note 15.

The remaining contractual life of share options outstanding as at 31 December 2018 and 31 December 2017 are 5.9 years and 6.9 years, respectively.

Notes to the Consolidated Financial Statement

For the year ended 31 December 2018
(All amounts expressed in RMB'000 unless otherwise stated)

40. Securities Sold Under Agreements To Repurchase

	At 31 December 2018	At 31 December 2017
Securities - bonds		
– Stock exchange	1,392,928	5,400
– Inter-bank market	1,160,000	130,000
	2,552,928	135,400

41. Reinsurance Payables

	At 31 December 2018	At 31 December 2017
Within one year	334,944	240,666
Over one year	20,327	7,165
	355,271	247,831

42. Borrowings

	At 31 December 2018	At 31 December 2017
Bank Loan (a)	33,333	—
Other Loan (b)	26,383	—
	59,716	—

(a) On 17 August 2018, ZhongAn Microloan applied a loan of RMB50,000 thousand from China Everbright Bank Chongqing Branch pledged by the creditor rights of receivables the Company owned. The term of the loan is one year from 17 August 2018 to 17 August 2019, and the annual interest rate is 7%.

(b) The other loan refers to the loan ZhongAn International received from SCC Venture VII Holdco, Ltd..

43. Insurance Contract Liabilities

	31 December 2018		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
Insurance contracts liabilities			
– Unearned premium reserves	3,785,874	(123,066)	3,662,808
– Claim reserves	1,541,242	(120,150)	1,421,092
	5,327,116	(243,216)	5,083,900
Incurred but not reported claim reserves	650,435	56,228	706,663

	31 December 2017		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
Insurance contracts liabilities			
– Unearned premium reserves	1,769,012	(98,997)	1,670,015
– Claim reserves	661,064	(33,426)	627,638
	2,430,076	(132,423)	2,297,653
Incurred but not reported claim reserves	281,411	(27,510)	253,901

Movements of unearned premium reserves

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
At 1 January 2017	601,256	(22,299)	578,957
Premium written	5,954,475	(249,310)	5,705,165
Premium earned	(4,786,719)	172,612	(4,614,107)
At 31 December 2017	1,769,012	(98,997)	1,670,015
Premium written	11,255,718	(462,622)	10,793,096
Premium earned	(9,238,856)	438,553	(8,800,303)
At 31 December 2018	3,785,874	(123,066)	3,662,808

Notes to the Consolidated Financial Statement

For the year ended 31 December 2018
(All amounts expressed in RMB'000 unless otherwise stated)

43. Insurance Contract Liabilities (Continue)

Movements of claim reserves

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
At 1 January 2017	196,049	(1,805)	194,244
Claims incurred	2,808,908	(62,961)	2,745,947
Claims paid	(2,343,893)	31,340	(2,312,553)
At 31 December 2017	661,064	(33,426)	627,638
Claims incurred	5,530,919	(262,483)	5,268,436
Claims paid	(4,650,741)	175,759	(4,474,982)
At 31 December 2018	1,541,242	(120,150)	1,421,092

44. Other Liabilities

	At 31 December 2018	At 31 December 2017
Consulting fee and service charge payable	431,488	302,252
Salary and staff welfare payable	293,631	173,605
Claims payable	165,130	57,114
Commission and brokerage payable	157,316	89,792
Insurance guarantee fund	54,336	27,043
Tax payable other than income tax	34,571	68,126
Deposit payable	19,522	43,110
Rent payable	12,443	17,723
Deferred income	3,403	4,034
Others	271,684	176,579
	1,443,524	959,378

45. Note to Consolidated Cash Flow Statement

Reconciliation from profit before income tax to cash generated from operating activities:

	Year ended 31 December 2018	Year ended 31 December 2017
Loss before tax	(1,810,161)	(1,002,189)
Asset impairment losses	136,701	18,401
Net investment income	(774,485)	(778,895)
Net fair value changes through profit or loss	153,949	(58,800)
Depreciation of property and equipment	38,116	18,734
Amortization of intangible assets	74,513	54,423
Foreign exchange losses	838	138,688
Finance costs	43,276	4,139
Listing expenses	—	47,368
Expense recognized for share-based payments	780	3,041
Increase in premium receivables	(1,513,525)	(349,480)
Increase in reinsurance assets	(240,687)	(35,854)
Amortisation of deferred income	(631)	(631)
Share of (profit)/loss of associates	(6,830)	2,807
Change in insurance contract liabilities	2,786,247	1,524,452
(Increase)/decrease in other operating receivables	(856,771)	98,046
Increase/(decrease) in other operating liabilities	689,573	(394,044)
Cash used in operating activities	(1,279,097)	(709,794)

46. Related Party Transactions

The Company's directors were of the view that Ant Small and Micro Financial Services Group Co. Ltd. ("Ant Financial"), Ping An Insurance (Group) Co. of China Ltd. ("Ping An Insurance"), Tencent Holdings Limited ("Tencent"), Sinolink Worldwide Holdings Limited ("Sinolink Worldwide") and their subsidiaries and key management personnel were considered as related parties of the Group. Alibaba Group Holdings Limited ("Alibaba") and its subsidiaries were also considered as related parties of the Group given the relationship between Alibaba and Ant Financial Services.

Transactions with key management personnel and the entity controlled or jointly controlled by a person identified as key management personnel ("key management personnel") have been disclosed below. The Group's transactions with related parties are conducted under the ordinary course of business.

Notes to the Consolidated Financial Statement

For the year ended 31 December 2018
(All amounts expressed in RMB'000 unless otherwise stated)

46. Related Party Transactions (Continue)

(a) Sale of insurance contracts

	Year ended 31 December 2018	Year ended 31 December 2017
Sinolink Worldwide and its subsidiaries	28,681	10,136
Tencent and its subsidiaries	4,218	2,457
Alibaba and its subsidiaries	2,511	4,259
Ant Financial and its subsidiaries	83	9,856
	35,493	26,708

(b) Claim of insurance contracts

	Year ended 31 December 2018	Year ended 31 December 2017
Alibaba and its subsidiaries	4,081	6,847
Tencent and its subsidiaries	3,024	1,126
Ant Financial and its subsidiaries	(90)	46
Sinolink Worldwide and its subsidiaries	72	—
	7,087	8,019

(c) Technical service fees

	Year ended 31 December 2018	Year ended 31 December 2017
Ant Financial and its subsidiaries	487,624	426,957
Tencent and its subsidiaries	7,669	5,063
	495,293	432,020

(d) Interest income

	Year ended 31 December 2018	Year ended 31 December 2017
Ping An Insurance and its subsidiaries	4,137	2,689

46. Related Party Transactions (Continue)

(e) Asset management fees

	Year ended 31 December 2018	Year ended 31 December 2017
Ping An Insurance and its subsidiaries	16,242	41,561

(f) Fees for purchasing goods and other services

	Year ended 31 December 2018	Year ended 31 December 2017
Alibaba and its subsidiaries	64,429	24,844
Tencent and its subsidiaries	16,818	7,567
Ant Financial and its subsidiaries	9,924	17,761
Key management personnel	1,308	31
Ping An Insurance and its subsidiaries	2	1,445
	92,481	51,648

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

(g) Advisory income

	Year ended 31 December 2018	Year ended 31 December 2017
Ping An Insurance and its subsidiaries	82	10,647

(h) Capital injection from Sinolink Worldwide and its subsidiaries

On 15 August 2018 Sinolink Worldwide injected RMB482,477 (HKD550,000) thousand into ZhongAn International, in consideration for redeemable preference shares. On 13 December 2018, Sinolink Worldwide further injected RMB43,985 (HKD50,000) thousand into ZhongAn International in consideration for redeemable preference shares.

Notes to the Consolidated Financial Statement

For the year ended 31 December 2018
(All amounts expressed in RMB'000 unless otherwise stated)

46. Related Party Transactions (Continue)

(i) Year end balance of receivables with related parties

	At 31 December 2018	At 31 December 2017
Ping An Insurance and its subsidiaries (i)	357,568	63,849
Ant Financial and its subsidiaries	11,749	6,623
Tencent and its subsidiaries	122	49
Sinolink Worldwide and its subsidiaries	45	586
	369,484	71,107

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

(j) Year end balance of payables with related parties

	At 31 December 2018	At 31 December 2017
Alibaba and its subsidiaries	15,185	6,611
Ping An Insurance and its subsidiaries	5,184	27,891
Tencent and its subsidiaries	3,264	2,970
Sinolink Worldwide and its subsidiaries	15	—
	23,648	37,472

(k) Year end balance of prepayments to related parties

	At 31 December 2018	At 31 December 2017
Alibaba and its subsidiaries	30,039	17,006

46. Related Party Transactions (Continue)

(l) Compensation of key management personnel

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

	Year ended 31 December 2018	Year ended 31 December 2017
Wages, salaries and bonuses	14,964	10,713
Share-based payments (Note 36)	543	2,317
Pension costs – defined contribution plans	561	473
Other social security costs, housing benefits and other employee benefits	504	426
	16,572	13,929

47. Contingent Liabilities

Owing to the nature of the insurance business, the Group is involved in the making of 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, as at 31 December 2018 and 2017, the Group has no major pending litigation as the defendant.

48. Commitments

Operating lease commitments

We lease our office spaces from third parties under non-cancellable operating leases. The following table below sets forth our future minimum lease payments under irrevocable rental contracts as of the dates indicated:

	At 31 December 2018	At 31 December 2017
Within 1 year (including 1 year)	147,659	97,515
1 to 2 years (including 2 years)	135,598	67,991
2 to 3 years (including 3 years)	121,854	56,030
Over 3 years	180,484	122,757
	585,595	344,293

Notes to the Consolidated Financial Statement

For the year ended 31 December 2018
(All amounts expressed in RMB'000 unless otherwise stated)

49. Balance Sheet And Reserve Movement Of The Company

	At 31 December 2018	At 31 December 2017
ASSETS		
Cash and cash equivalents	549,770	4,151,815
Financial assets at fair value through profit or loss	512,449	132,044
Interest receivables	3,395	48,586
Premium receivables	2,037,286	523,761
Reinsurance debtors	287,379	46,692
Reinsurers' share of insurance contract liabilities	243,216	132,423
Available-for-sale financial assets	25,000	25,000
Investments classified as loans and receivables	—	13,965
Restricted statutory deposits	293,963	248,125
Investments in subsidiaries	15,670,619	13,591,546
Investment in associates	322,565	148,838
Property and equipment	82,286	79,818
Intangible assets	260,837	216,513
Other assets	1,259,875	286,356
Total assets	21,548,640	19,645,482

	At 31 December 2018	At 31 December 2017
EQUITY AND LIABILITIES		
Equity		
Share capital	1,469,813	1,469,813
Reserves	16,623,868	16,623,088
Accumulated loss	(3,628,717)	(2,097,904)
Total equity	14,464,964	15,994,997
Liabilities		
Premium received in advance	111,736	75,401
Reinsurance payables	355,271	247,831
Insurance contract liabilities	5,328,199	2,432,958
Investment contract liabilities	—	17,840
Other liabilities	1,288,470	876,455
Total liabilities	7,083,676	3,650,485
Total equity and liabilities	21,548,640	19,645,482

49. Balance Sheet And Reserve Movement Of The Company (Continue)

The movements in reserves and accumulated losses of the Company are set out below:

	Share capital	Capital reserves	Other reserves due to share-based payment	Accumulated losses	Total equity
At 1 January 2017	1,240,625	5,505,266	34,579	(580,407)	6,200,063
Total comprehensive income	—	—	—	(1,517,497)	(1,517,497)
Capital injection	229,188	11,105,876	—	—	11,335,064
Share-based payments	—	—	3,041	—	3,041
Others	—	(25,674)	—	—	(25,674)
At 31 December 2017	1,469,813	16,585,468	37,620	(2,097,904)	15,994,997
Total comprehensive income	—	—	—	**(1,530,813)**	**(1,530,813)**
Share-based payments	—	—	**780**	—	**780**
At 31 December 2018	**1,469,813**	**16,585,468**	**38,400**	**(3,628,717)**	**14,464,964**

50. Subsequent Event

On 2 February 2019, Warrior paid to ZhongAn International RMB342,048 (HKD400,000 equivalent) thousand in cash to subscribe 342,048 thousand redeemable preference shares of RMB1 each.

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 25 March 2019.

Independent Auditor's Report

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

Opinion

What we have audited

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

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

Our opinion

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

Basis for Opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Independent Auditor's Report

Key Audit Matters

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

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

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

Other Information

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

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

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

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

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

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2020

Consolidated Statement of Comprehensive Income

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

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

Consolidated Statement of Comprehensive Income

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

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

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

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

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

Consolidated Balance Sheet

As at 31 December 2019
(All amounts expressed in RMB'000 unless otherwise stated)

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

Consolidated Statement of Changes in Equity

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

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

Consolidated Statement of Cash Flow

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

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

Notes to the Consolidated Financial Statements

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

1. GENERAL INFORMATION

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

(a) Changes in accounting policies

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) Changes in accounting policies (continued)

HKFRS 16 Leases

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

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

(i) Practical expedients applied

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

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

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

Notes to the Consolidated Financial Statements

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) Changes in accounting policies (continued)

HKFRS 16 Leases (continued)

(ii) Measurement of lease liabilities

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

(iii) Measurement of right-of-use assets

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(b) New and revised standards not yet adopted

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

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

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

HKFRS 9 and HKFRS 4 Amendments

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

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

Notes to the Consolidated Financial Statements

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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

HKFRS 9 and HKFRS 4 Amendments (continued)

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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

HKFRS 17

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

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

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

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

Notes to the Consolidated Financial Statements

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries

2.2.1 Consolidation

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

(a) Business combinations

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

2.2.2 Separate financial statements

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

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

2.2.3 Associates

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

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

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

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

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

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

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

2.2.4 Joint Ventures

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

Notes to the Consolidated Financial Statements

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Segment reporting

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

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

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

2.4 Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

Group entities

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Property and equipment

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Intangible assets

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

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

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

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

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

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

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

The expected useful lives of intangible assets are as follows:

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Borrowings

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

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

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

2.8 Goodwill

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

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

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

2.9 Impairment of non-financial assets

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets

(a) Classification

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

Financial assets at fair value through profit or loss

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

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

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

Loans and receivables

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

Held-to-maturity financial assets

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

Available-for-sale financial assets

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets (continued)

(b) *Recognition and measurement*

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

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

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

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

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

2.11 Fair value measurement

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

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

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

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

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

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For the year ended 31 December 2019
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Fair value measurement (continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models. For discounted cash flow techniques, estimated future cash flows are based on directors' best estimates and the discount rate used is a market related rate for a similar instrument. Certain financial instruments, including derivative financial instruments, are valued using pricing models that consider, among other factors, contractual and market prices, correlation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair values of floating rate and overnight deposits with credit institutions are their carrying values. The carrying value is the cost of the deposit and accrued interest. The fair value of fixed interest-bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the balance sheet date.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.13 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The related collateral value shall also be taken into account. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition or the current effective interest rate if a loan has a variable interest rate).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognized in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Impairment of financial assets (continued)

Assets classified as available for sale

For debt securities, if any such evidence of impairment exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated statement of comprehensive income.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income. The Group inspects the equity investments individually at the balance sheet date. Recognition of an impairment loss is required if the fair value is below the initial investment cost by more than 50% (included) or for a continuous period of more than one year (included). The Group uses the weighted average method to calculate the initial costs of available-for-sale equity investments.

2.14 Securities purchased under agreements to resell

The Group enters into purchases of securities under agreements to resell substantially identical securities. These agreements are classified as loans and receivables. The amount advanced under these agreements are reflected as assets in the balance sheet. The Group does not take physical possession of securities purchased under agreements to resell. In the event of default by the counterparty to repay the loan, the Group has the right to the underlying securities.

2.15 Reinsurance

The Group cedes insurance risk in the normal course of business. Reinsurance agreements that transfer significant insurance risk are treated as reinsurance contracts; reinsurance agreements that do not transfer significant insurance risk are not treated as reinsurance contracts.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. At the recognition of direct insurance revenue, the Group recognizes premiums ceded and reinsurance claims recoverable as income and expenses. In the period of recognizing unearned premium reserves and outstanding claim reserves, the Group recognizes reinsurance assets based on estimated cash flow and margin factors.

Reinsurance assets and direct insurance contract liabilities are shown separately in balance sheet. Also, reinsurance income and expenses cannot be offset by direct insurance contract income and expenses in the statement of comprehensive income.

2.16 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits with original maturity of no more than three months, placements with banks, due from banks and other monetary assets.

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For the year ended 31 December 2019
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Non-controlling interest

Non-controlling interests are presented in the consolidated balance sheet with equity, separately from equity attributable to owners of the parent. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit and the shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate the cost on initial recognition of an investment in an associate or joint venture.

2.19 Insurance contracts

Insurance contracts are those contracts under which the Group has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. Insurance contracts are classified as direct insurance contracts and reinsurance contracts. The significance of insurance risk as determined by the Group is dependent on both the probability of an insurance event and the magnitude of its potential effect.

Contracts that only transfer insurance risk are treated as insurance contracts. If the Group signs contracts with policyholders which transfer insurance risk as well as other risks, the treatments would depend on:

- If the insurance risk portion and other risk portion are distinct and separately measurable, the insurance risk portion and other risk portion should be unbundled. The portion with insurance risk should be treated as an insurance contract, while the portion with other risks should not be treated as an insurance contract.
- If the insurance risk portion and other risk portion cannot be distinct, or if they are distinct but cannot be separately measurable, the whole contract should be treated as an insurance contract if the insurance risk is significant; the whole contract should not be treated as an insurance contract if the insurance risk is insignificant.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Testing the significance of insurance risk

For contracts issued by the Group which require testing the significance of insurance risk, it should be performed at the initial recognition of such contracts, and based on a group of contracts with a similar nature.

When testing the significance of insurance risk, the Group makes judgements in this sequence: (i) whether the contract transfers insurance risk; (ii) whether the contract has commercial substance; (iii) whether the insurance risk transferred is significant.

When determining whether the contracts (or policies) transfer significant insurance risk, the Group considers: (i) annuity contracts that transfer longevity risk are treated as insurance contracts; (ii) for non-annuity contracts, if the insurance risk ratio is greater than or equal to 5% at certain points of time during the duration of the contracts, they are treated as insurance contracts; the insurance risk ratio is derived by comparing the benefits paid with the benefits payable if the insured event did not occur. For property and casualty and short-term life policies that obviously transfer significant risk, the Group recognizes them as insurance contracts directly.

When determining whether reinsurance policies transfer significant insurance risk, the Group considers thoroughly the commercial substance and other relevant contracts and agreements, and if the insurance risk ratio of reinsurance policies is greater than 1%, they are treated as reinsurance contracts. The insurance risk ratio of reinsurance policies is derived by comparing the present value of probability-weighted expected loss with the present value of expected reinsurance premiums. If the reinsurance policies obviously transfer significant insurance risk, the Group directly recognizes them as reinsurance contracts.

For the purpose of testing the significance of insurance risk, contracts of a similar nature are grouped together. Through considering the risk distribution and characteristics, the Group selects sufficient representative samples to test the significance of insurance risk. If most samples transfer significant insurance risk, all contracts in the Group are treated as insurance contracts.

The assumptions used for testing the significance of insurance risk mainly include expected ultimate loss ratio, mortality and morbidity, loss distribution, etc. The Group determines such assumptions based on historical experiences and the estimation on future development trends so as to reflect the Group's product characters and actual claim payments.

2.21 Insurance contract liabilities

The Group's insurance contract liabilities include unearned premium reserves and claim incurred reserves.

When measuring insurance contract liabilities, insurance contracts whose insurance risks are of a similar nature are classified as a measurement unit. The Group's contracts mainly include health insurance, bond insurance, accident insurance, motor insurance, credit insurance, cargo insurance, liability insurance, household property insurance and other insurance.

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For the year ended 31 December 2019
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Insurance contract liabilities (continued)

Insurance contract liabilities are measured based on a reasonable estimate of the amount of payments when the Group fulfils relevant obligations under the insurance contracts, which represents the difference between expected future cash outflows and inflows under such contracts.

- Expected future cash outflows represent reasonable cash outflows which are necessary for the Company to fulfil relevant obligations under the insurance contracts, and mainly include: (a) guaranteed benefits or claims under the insurance contracts; (b) reasonable expenses necessary for maintaining and serving the insurance contracts, claims handling, including policy maintenance expenses, claim expenses, etc.

- Expected future cash inflows represent cash inflows from assuming insurance contractual obligations, including premiums and other charges.

Reasonable estimate of expected net future cash flows is determined based on information currently available at the balance sheet date.

Margins are considered and separately measured in determining insurance contract liabilities. Margins are released in the statement of comprehensive income over the insurance coverage period using systematic and reasonable methods. Margins include risk margin and residual margin.

- Risk margin represents provision for the uncertainty associated with the future net cash flows.

- At inception of an insurance contract, any "day-one" gain is not recognised in the statement of comprehensive income, but included in the insurance contract liabilities as a residual margin. At inception of an insurance contract, any "day-one" loss is recognised in the statement of comprehensive incomes.

The Group amortises the residual margin on a time basis during the whole insurance coverage period and records it in profit or loss.

When measuring insurance contract liabilities, time value of money is considered. The related future cash flows are discounted when the impact of time value of money is significant. For short duration contracts which duration is within one year, the cash flows are not discounted. The discount rate used in the measurement of time value of money is determined with reference to information currently available as at the end of each reporting date and is not locked.

Unearned premium reserves

Unearned premium reserves are measured by using the unearned premium approach. At inception of the contract, unearned premium reserves are measured based on premiums received with deduction of relevant acquisition costs such as commission charge, business tax, insurance guarantee fund, supervision fees, etc. After initial recognition, unearned premium reserves are released over the term of the contract using a 365-day basis or other methods regarding relevant nature and risk distribution.

The Group performs liability adequacy tests using discounted cash flow method at the balance sheet date. Additional insurance contract liabilities should be made and recognized in the statement of comprehensive income if any deficiency exists.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Insurance contract liabilities (continued)

Claim reserves

Claim reserves represent insurance contract provisions for non-life insurance accidents, which include incurred and reported claim reserves, incurred but not reported ("IBNR") claim reserves and claim expense reserves.

Incurred and reported claim reserves represent insurance contract provisions for the claims incurred and reported to the Group. The Group uses case-by-case estimate method to measure incurred and reported claim reserves based on a reasonable estimate of the ultimate claims amount and the margin factor.

IBNR claim reserves represent insurance contract provisions for the claims incurred but not reported to the Group. The Group uses loss ratio method and chain ladder method to measure IBNR claim reserves based on a reasonable estimate of the ultimate claims amount and the margin factor, and after considering industry benchmark and experience data, etc.

Claim expense reserves represent insurance contract provisions for related claims handling costs. The Group uses case-by-case estimate method for direct claim expense reserves and ratio allocation method to measure indirect claim expense reserves with consideration of margin factor.

2.22 Securities sold under agreements to repurchase

Securities sold under agreements to repurchase are financial liabilities and are recorded at amortized cost. The Group may be required to provide additional collateral based on the fair value of the underlying securities and such collateral assets continued to be carried on the balance sheet.

2.23 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Current and deferred income tax (continued)

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The tax effects of carry-forwards of unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred income tax related to fair value re-measurement of available-for-sale investments and cash flow hedges, which are charged or credited directly in other comprehensive income, is also credited or charged directly to other comprehensive income and subsequently recognised in the consolidated statement of comprehensive income together with the deferred gain or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be recovered.

2.24 Employee benefits

(a) Pension schemes

The employees of the Group participate in various defined contribution pension plans principally organised by municipal and provincial governments. The Group makes and accrues contributions to the pension plans based on certain percentages of the salaries of the employees on a monthly basis. The Group has no other significant legal or constructive obligations for retirement benefits beyond the said contributions, which are expensed as incurred.

The Group pays early retirement benefits to those employees who accept early retirement arrangements approved by management. Early retirement benefits are paid to those employees who voluntarily retire before the normal retirement date. The related benefit payments are made from the date of early retirement through the normal retirement date. The Group records a liability for the present value of its early retirement obligation when employees retire early.

(b) Housing benefits

The employees of the Group are entitled to participate in various government sponsored housing funds. The Company and its subsidiaries contribute on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(c) Medical benefits

The Group makes contributions for medical benefits to the local authorities in accordance with the relevant local regulations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- Including any market performance conditions;
- Excluding the impact of any service and non-market performance vesting conditions;
- Including the impact of any non-vesting conditions.

At the end of each reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

If the terms of an equity-settled award are modified, at a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

2.26 Revenue recognition

Revenue is recognized on the following bases:

(a) Premium revenue

Premium revenue is recognized when the insurance contract is issued and the related insurance risk is undertaken by the Group, the economic benefits associated with the insurance contract will probably flow to the Group and when the revenue can be measured reliably.

Premiums from direct insurance contracts are recognized as revenue based on the amount of total premiums stated in the contracts.

(b) Investment and interest income

Investment income includes interest from term deposits, fixed maturity securities, securities purchased under agreements to resell, dividends from investment funds and securities, etc.

Interest income is recognized on an accrual basis using the effective interest rate method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Dividends are recognized when the shareholders' right to receive payment is established.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Revenue recognition (continued)

(c) Revenue from services

The Group provides services including IT system solution, design, implementation and support under fixed-price. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual labour hours spent relative to the total expected labour hours.

Some contracts include multiple deliverables, such as the sale of software and related installation services. However, the installation is simple, does not include an integration service and could be performed by another party. It is therefore accounted for as a separate performance obligation. If contracts include the installation of software, revenue for the software is recognised at a point in time when the software is delivered, the legal title has passed and the customer has accepted the software.

Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

If the contract includes an hourly fee, revenue is recognised in the amount to which the Group has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced.

(d) Sale of goods

Revenue from the sale of product is recognised when a group entity sells a product to the customer. Payment of the transaction price is due immediately when the customer purchases the product.

2.27 Leases

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases.

Leases are recognised as a right-of-use asset and a corresponding liability at the date when the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.27 Leases (continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the company, which does not have recent third party financing, and
- makes adjustments specific to the lease (e.g., term, country, currency and security).

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2.28 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to assets included in the liabilities as deferred government grants and are credited to the statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires the directors of the Company to make judgements and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

3.1 Valuation of insurance contract liabilities

When measuring the insurance contract liabilities, the Group needs to make a reasonable estimate of the amounts that the Group is required to pay in fulfilling the obligations under the insurance contracts. Such estimates are determined by calculating various possible outcomes and relevant probabilities based on information currently available as at the balance sheet date.

At the balance sheet date, the Group makes estimates of the assumptions used in the measurement of insurance contract liabilities. The Group determines such assumptions based on information currently available as at the balance sheet date and a risk adjustment is considered.

Unearned premium reserves

When performing liability adequacy tests of unearned premium reserves, the Group use discounted cash flow method to judge if any deficiency exists. Main assumptions in measuring discounted cash flow include discount rate, expense assumptions, loss ratios and risk margin, etc.

(a) Discount rate

Cash flow will not be discounted when being measured because the durations of the majority of insurance category are less than 1 year.

(b) Expense assumptions

The Group develops its expense assumption on its expense analysis and future expectation for policy acquisition costs and maintenance expenses.

The Group's expense assumption is determined based on industry analysis, industry standards and economic environment. The Group's expense assumption is affected by certain factors, such as inflation, market competition and other factors. The Group uses information currently available as at the balance sheet date to determine expense assumption and a risk adjustment is considered.

(c) Loss ratios

The Group develops its loss ratio assumption on analysis of its historical claims payments experience, future development trends and industry experiences.

(d) Risk margin

The risk margin represents provision for the uncertainty associated with the future cash flows. The risk adjustment is determined by reference to the industry benchmark and the risk adjustments for future cash flows are 5.5 percent and 15 percent of unbiased estimate of future net cash flow present value.

Claim reserves

Claim reserve depends mainly on claim development factors and expected ultimate loss ratio to predict the future cost of claims. Claim developments factors and the expected ultimate loss ratio for various measurement units are based on past claims development experience and loss ratios, taking into consideration changes in the Group's policies such as the underwriting policy, expenses and claims handling, and changing trends in external environments such as economic conditions, regulations and legislation. The Group determined the risk margin assumptions for claim reserves based on the available information at the end of each of the reporting date. In assessing claim reserves, the risk margins were determined at 5 percent and 7 percent.

4 Segment reporting

The Group's operating segments are listed as follows:

- The insurance segment offers a wide range of online P&C insurance business;
- The technology segment provides IT related business and international IT consulting to its customers;
- The others segment includes entities other than the insurance segment and the technology segment, which provides insurance brokerage, banking, bio technology services and etc.

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

99. 3% of the Group's revenue is derived from its operations in the PRC. 92.8% of the Group's assets are located in PRC. In 2019, the income from transactions with the top five external customers amounted to 2.4% (2018: 12.1%) of the Group's total segment income.

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

	Insurance	Technology	Others	Eliminations	Total
Gross written premiums	14,633,403	—	—	(3,814)	14,629,589
Less: Premiums ceded to reinsurers	(234,148)	—	—	—	(234,148)
Net change in unearned premium reserves	(1,593,009)	—	—	(981)	(1,593,990)
Net premiums earned	12,806,246	—	—	(4,795)	12,801,451
Net Investment income	1,738,704	5,895	26,656	4,531	1,775,786
Net fair value changes through profit or loss	162,183	7,586	127	—	169,896
Share of net profit/(loss) of associates and joint ventures accounted for using the equity method	1,086	(7,313)	(29,176)	(8,543)	(43,946)
Other income	63,569	279,529	187,403	(153,670)	376,831
Segment income	14,771,788	285,697	185,010	(162,477)	15,080,018
Net claims incurred	(8,626,104)	—	—	1,415	(8,624,689)
Handling charges and commissions	(934,814)	—	—	24,905	(909,909)
Foreign exchange gains/(losses)	(9)	(988)	2,959	—	1,962
Finance costs	(99,934)	(9,877)	(1,293)	8	(111,096)
General and administrative expenses	(5,076,496)	(106,576)	(248,886)	15,099	(5,416,859)
Other expenses	(2,504)	(499,901)	(252,951)	125,091	(630,265)
Segment expenses	(14,739,861)	(617,342)	(500,171)	166,518	(15,690,856)
Profit/(Loss) before income tax	31,927	(331,645)	(315,161)	4,041	(610,838)
Income tax	(24,326)	(2,702)	(779)	—	(27,807)
Net profit/(loss)	7,601	(334,347)	(315,940)	4,041	(638,645)

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4 Segment reporting (continued)

Segment balance sheet as at 31 December 2019

	Insurance	Technology	Others	Eliminations	Total
Cash and cash equivalents	626,720	437,614	1,850,486	—	2,914,820
Financial assets (a)	19,920,826	358,920	223,376	—	20,503,122
Insurance receivables (b)	4,045,315	—	—	—	4,045,315
Investment in associates, joint ventures and subsidiaries	2,753,650	847,615	79,400	(3,067,356)	613,309
Other assets	2,520,366	768,634	262,040	(720,031)	2,831,009
Segment assets	29,866,877	2,412,783	2,415,302	(3,787,387)	30,907,575
Insurance contract liabilities	(7,542,699)	—	—	59	(7,542,640)
Securities sold under agreements to repurchase	(4,049,725)	—	—	—	(4,049,725)
Other liabilities	(2,385,089)	(731,350)	(424,730)	731,490	(2,809,679)
Segment liabilities	(13,977,513)	(731,350)	(424,730)	731,549	(14,402,044)

(a) Financial assets comprise financial assets at fair value through profit or loss, securities purchased under agreements to resell, available-for-sale financial assets, loans and advances to customers, investments classified as loans and receivables, term deposits and restricted statutory deposits.

(b) Insurance receivables comprise premium receivables, reinsurance receivables and reinsurers' share of insurance contract liabilities.

Other segment information for the year ended 31 December 2019

	Insurance	Technology	Others	Eliminations	Total
Depreciation and amortization	193,051	86,806	16,170	—	296,027
Capital expenditure	154,007	101,437	36,227	—	291,671
Impairment loss charges	186,560	4,362	250	1,458	192,630
Interest income	(598,205)	(1,568)	(19,356)	—	(619,129)

4 Segment reporting (continued)

Segment statement of comprehensive income for the year ended 31 December 2018

	Insurance	Technology	Others	Eliminations	Total
Gross written premiums	11,263,109	—	—	(7,391)	11,255,718
Less: Premiums ceded to reinsurers	(462,622)	—	—	—	(462,622)
Net change in unearned premium reserves	(1,990,937)	—	—	(1,856)	(1,992,793)
Net premiums earned	8,809,550	—	—	(9,247)	8,800,303
Net Investment income	761,309	439	7,929	4,808	774,485
Net fair value changes through profit or loss	(153,949)	—	—	—	(153,949)
Share of net profits/(loss) of associates and joint ventures accounted for using the equity method	17,727	(10,803)	(94)	—	6,830
Other income	56,328	103,703	41,279	(11,835)	189,475
Segment income	9,490,965	93,339	49,114	(16,274)	9,617,144
Net claims incurred	(5,282,748)	—	—	14,312	(5,268,436)
Handling charges and commissions	(1,074,756)	—	—	—	(1,074,756)
Foreign exchange gains/(losses)	3,275	—	(4,113)	—	(838)
Finance costs	(40,891)	(1,239)	(1,146)	—	(43,276)
General and administrative expenses	(4,437,478)	(25,777)	(160,854)	(2,850)	(4,626,959)
Other expenses	(4,034)	(406,545)	(4,913)	2,452	(413,040)
Segment expenses	(10,836,632)	(433,561)	(171,026)	13,914	(11,427,305)
Loss before income tax	(1,345,667)	(340,222)	(121,912)	(2,360)	(1,810,161)
Income tax	15,355	—	(1,912)	—	13,443
Net loss	(1,330,312)	(340,222)	(123,824)	(2,360)	(1,796,718)

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4 Segment reporting (continued)

Segment balance sheet as at 31 December 2018

	Insurance	Technology	Others	Eliminations	Total
Cash and cash equivalents	944,369	145,792	1,336,668	—	2,426,829
Financial assets	18,669,688	4,780	154,387	(6,743)	18,822,112
Insurance receivables	2,567,881	—	—	—	2,567,881
Investment in associates, joint ventures and subsidiaries	1,322,565	351,516	11,932	(1,341,177)	344,836
Other assets	2,140,855	290,555	71,932	(323,904)	2,179,438
Segment assets	25,645,358	792,643	1,574,919	(1,671,824)	26,341,096
Insurance contract liabilities	5,328,198	—	(2,882)	1,800	5,327,116
Securities sold under agreements to repurchase	2,552,928	—	—	—	2,552,928
Other liabilities	1,809,488	336,149	170,054	(329,312)	1,986,379
Segment liabilities	9,690,614	336,149	167,172	(327,512)	9,866,423

Other segment information for the year ended 31 December 2018

	Insurance	Technology	Others	Eliminations	Total
Depreciation and amortization	88,761	21,802	2,066	—	112,629
Capital expenditure	154,489	123,869	49,844	—	328,202
Impairment loss charges	121,727	761	(43)	14,256	136,701
Interest income	692,908	7,525	281	—	700,714

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

(a) Insurance risk

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

Insurance risk could occur due to any of the following factors:

Occurrence risk – the possibility that the number of insured events will differ from that expected.

Severity risk – the possibility that the cost of the events will differ from that expected.

Development risk – the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefits payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The Group's concentration of insurance risk is reflected by its major lines of business as analysed by gross written premiums in Note 7.

Key assumptions

Outstanding claims reserves are mainly based on assumptions of expected ultimate loss ratio which is determined after considering industry benchmark, experience data, discount and margin factors. Significant cases need to be considered separately and reflected by estimated amount. These assumptions are made in respect of incurred net claim costs, claims handling costs, risk profile of the Group's line of business, claims inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as changes in internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key assumptions include explicit margin, delays in settlement, etc.

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5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(a) Insurance risk (continued)

Sensitivities

Outstanding claim reserves are sensitive to the above key assumptions. The sensitivity of certain variables like legislative changes, uncertainty in the estimation process, is not possible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim reserves are not known with certainty at the balance sheet date.

Ultimate loss ratio change results in changes in outstanding claim reserves. The following table reflects sensitive analysis of key assumptions relevant to outstanding claim reserves. Under the condition when other variables remain constant, changes in net profit before income tax and equity due to expected ultimate loss ratio change and average claim costs change are as follows:

Changes in expected ultimate loss ratio	31 December 2019	
	Impact on profit before income tax	Impact on total equity
+1%	(144,092)	(144,092)
– 1%	144,092	144,092

Changes in expected ultimate loss ratio	31 December 2018	
	Impact on profit before income tax	Impact on total equity
+1%	(91,633)	(91,633)
– 1%	91,633	91,633

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(a) Insurance risk (continued)

Claim development tables

The following tables reflect the cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each balance sheet date, together with cumulative payments to date.

Gross insurance claim reserves:

	Accident year					
	2015	**2016**	**2017**	**2018**	**2019**	**Total**
Estimate of ultimate claim cost as of:						
End of current year	1,322,518	1,501,551	2,698,058	5,396,412	**8,774,976**	
One year later	1,192,162	1,433,179	2,577,762	5,360,642		
Two years later	1,179,983	1,440,112	2,554,264			
Three years later	1,182,255	1,433,121				
Four years later	1,179,953					
Current estimate of cumulative claims	1,179,953	1,433,121	2,554,264	5,360,642	**8,774,976**	19,302,956
Cumulative payments to date	(1,179,948)	(1,423,177)	(2,447,779)	(4,941,359)	**(7,261,905)**	(17,254,168)
Liability in respect of prior years, unallocated loss adjustment expenses, discount and risk adjustment margin						125,220
Total gross claim reserves included in the consolidated balance sheet						2,174,008

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5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(a) Insurance risk (continued)

Claim development tables *(continued)*

Net insurance claim reserves:

	Accident year					
	2015	**2016**	**2017**	**2018**	**2019**	**Total**
Estimate of ultimate claim cost as of:						
End of current year	1,304,608	1,494,242	2,638,157	5,161,833	**8,558,688**	
One year later	1,174,671	1,424,327	2,493,902	5,066,558		
Two years later	1,162,482	1,431,445	2,454,326			
Three years later	1,164,753	1,418,764				
Four years later	1,162,453					
Current estimate of cumulative claims	1,162,453	1,418,764	2,454,326	5,066,558	**8,558,688**	18,660,789
Cumulative payments to date	(1,162,448)	(1,413,901)	(2,367,638)	(4,688,337)	**(7,135,195)**	(16,767,519)
Liability in respect of prior years, unallocated loss adjustment expenses, discount and risk adjustment margin						117,445
Total net claim reserves included in the consolidated balance sheet						2,010,715

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(b) Financial risk

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks, which arise from foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

(i) Currency risk

Currency risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group operates principally in the PRC with only limited exposure to foreign exchange rate risk arising primarily from certain foreign currency bank deposit in United States dollar ("USD"), Hong Kong dollar ("HKD"), Japanese yen ("JPY") or Singapore dollar ("SGD").

The following tables summarize the Group's exposure to foreign currency exchange rate risk at the balance sheet date by major foreign currency.

	31 December 2019				
	HKD'000	USD'000	JPY'000	SGD'000	Equivalent to RMB'000
Cash and cash equivalents	2,027,111	20,452	528,868	365	1,994,304
Financial assets at fair value through profit or loss	131,473	—	—	—	117,771
Available-for-sale financial assets	131,674	—	—	—	117,951
Other receivables	4,375	—	204,408	3,866	37,023
Total	2,294,633	20,452	733,276	4,231	2,267,049

	31 December 2018			
	HKD'000	USD'000	JPY'000	Equivalent to RMB'000
Cash and cash equivalents	1,067,315	7,831	172,693	999,615
Financial assets at fair value through profit or loss	117,762	—	—	103,183
Available-for-sale financial assets	36,071	—	—	31,605
Other receivables	17,782	—	—	15,581
Total	1,238,930	7,831	172,693	1,149,984

The Group has no significant concentration of currency risk.

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5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(b) Financial risk (continued)

Market risk *(continued)*

(i) Currency risk *(continued)*

Sensitivities

The analysis below is performed to show the reasonably possible movements in foreign currency exchange rates with all other assumptions held constant, showing the pre-tax impact on profit before tax of the Group (due to changes in fair value of currency sensitive monetary assets and liabilities) and equity of the Group when the foreign exchange rates of USD, HKD, JPY and SGD vary. The correlation of variables will have a significant effect in determining the ultimate impact on currency risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis.

Changes in exchange rate	31 December 2019	
	Impact on profit before income tax	Impact on total equity
+5%	107,455	113,352
– 5%	(107,455)	(113,352)

Changes in exchange rate	31 December 2018	
	Impact on profit before income tax	Impact on total equity
+5%	55,919	57,499
– 5%	(55,919)	(57,499)

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(b) Financial risk (continued)

***Market risk** (continued)*

(ii) Interest rate risk

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

The Group's interest risk policy requires it to manage interest rate risk by maintaining an appropriate match of fixed and variable rate instruments. The policy also requires it to manage the maturity of interest-bearing financial assets and interest-bearing financial liabilities.

Sensitivities

The analysis below is performed for reasonably possible movements in interest rate with all other variables held constant, for the following financial instruments, showing the pre-tax impact on profit before income tax and total equity. Since almost all financial instruments of the Group that bear interest rate risks are financial instruments denominated in RMB, the sensitivity analysis below only shows the pre-tax impact of RMB financial instruments on the Group's profit before income tax and total equity when RMB interest rate changes.

Changes in RMB interest rate	31 December 2019	
	Impact on profit before income tax	Impact on total equity
+50 basis points	(46,477)	(121,212)
– 50 basis points	47,859	124,437

Changes in RMB interest rate	31 December 2018	
	Impact on profit before income tax	Impact on total equity
+50 basis points	(95,110)	(157,913)
– 50 basis points	99,368	163,810

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5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(b) Financial risk (continued)

***Market risk** (continued)*

(iii) Price risk

Equity price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Sensitivities

The analysis below is performed to show the reasonably possible movements in price with all other assumptions held constant, showing the pre-tax impact on profit before income tax and total equity of the Group when the price of relevant financial instruments vary.

Changes in price	31 December 2019	
	Impact on profit before income tax	Impact on total equity
+5%	38,748	203,705
– 5%	(38,748)	(203,705)

Changes in price	31 December 2018	
	Impact on profit before income tax	Impact on total equity
+5%	61,388	111,582
– 5%	(61,388)	(111,582)

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(b) Financial risk (continued)

Credit risk

Credit risk refers to the risk that one party to the financial instrument can not fulfill its obligations and cause financial loss to the other party.

The Group's credit risk is mainly associated with bank deposits, bond investments, premium receivables, reinsurance arrangements with reinsurance companies, securities purchased under agreements to resell, investments classified as loans and receivables, and etc.

The Group's bank deposits are mainly deposited in state-owned commercial banks and financial institutions which are generally considered to be relatively stable. The Group considers that there is no significant credit risk and does not generate any material losses due to the default of the other parties.

As the Group's investment types are limited by the CIRC, the Group's debt-based investments mainly include government bonds and corporate bonds, etc. As at 31 December 2019, the majority of corporate bonds and short-term corporate financing bonds held by the Group had domestic credit rating AA+ or above. The credit rating of the bond is provided by a qualified assessment agency.

The Group's premium receivables mainly come from customers. The Group mitigates credit risk by setting a shorter credit period or arranging the installment payment method. The Group regularly evaluates the credit status of reinsurance companies and selects reinsurance companies with higher credit qualifications to carry out reinsurance business.

The Group's loan and advances to customers are mainly derived from individual customers. The Group assess the credit status of customers on a regular basis and takes necessary actions to ensure the recoverability of the loans.

The Group reduces credit risk by utilizing credit control policies, undertaking credit analysis on potential investments, and imposing aggregate counterparty exposure limits. The Group determines the amount and type of collateral required according to the credit risk assessment of the counterparty.

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5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(b) Financial risk (continued)

Credit risk *(continued)*

The following table shows the maximum credit risk exposure to assets in the balance sheet that face credit risk. The maximum credit risk exposure is the amount prior to the consideration of the guarantee or other credit enhancement methods.

	31 December 2019					
		Past due but not impaired				
	Neither past due nor impaired	Less than 1 year	More than 1 year	Total past due but not impaired	Impaired	Total
Cash and cash equivalents	2,914,820	—	—	—	—	2,914,820
Financial assets at fair value through profit or loss	4,181,824	—	—	—	—	4,181,824
Securities purchased under agreements to resell	160,000	—	—	—	—	160,000
Premium receivables	3,532,160	—	—	—	180,657	3,712,817
Reinsurance receivables	238,028	—	—	—	—	238,028
Interest receivables	306,078	—	—	—	—	306,078
Available-for-sale financial assets	7,542,883	—	—	—	97,551	7,640,434
Investments classified as loans and receivables	1,276,676	—	—	—	—	1,276,676
Loans and advances to customers	50,900	—	—	—	—	50,900
Term deposits	300,000	—	—	—	—	300,000
Restricted statutory deposits	294,338	—	—	—	—	294,338
Others	1,004,591	—	—	—	—	1,004,591
Total	21,802,298	—	—	—	278,208	22,080,506

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(b) Financial risk (continued)

Credit risk *(continued)*

	31 December 2018					
		Past due but not impaired				
	Neither past due nor impaired	Less than 1 year	More than 1 year	Total past due but not impaired	Impaired	Total
Cash and cash equivalents	2,426,829	—	—	—	—	2,426,829
Financial assets at fair value through profit or loss	6,474,854	—	—	—	—	6,474,854
Securities purchased under agreements to resell	1,038,887	—	—	—	—	1,038,887
Premium receivables	2,037,286	—	—	—	11,133	2,048,419
Reinsurance receivables	287,379	—	—	—	—	287,379
Interest receivables	377,895	—	—	—	—	377,895
Available-for-sale financial assets	5,377,096	—	—	—	100,000	5,477,096
Investments classified as loans and receivables	597,069	—	—	—	—	597,069
Loans and advances to customers	69,858	1,437	—	1,437	15,102	86,397
Term deposits	960,000	—	—	—	—	960,000
Restricted statutory deposits	293,963	—	—	—	—	293,963
Others	838,720	—	—	—	—	838,720
Total	20,779,836	1,437	—	1,437	126,235	20,907,508

Liquidity risk

The Group is exposed to liquidity risk on insurance products that permit surrenders, withdrawals or other forms of early termination, benefits or claims of the insurance and other daily expenses. The Group seeks to manage its liquidity risk by matching, to the extent possible, the duration of its investment assets with the duration of its insurance products and ensuring that the Group is able to meet its payment obligations and fund its lending and investment operations on a timely basis.

The following policies and procedures are in place to mitigate the Group's exposure to liquidity risk:

- Implementing liquidity risk policy by setting out the assessment and determination of what constitutes liquidity risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Group's risk management committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Setting out guidelines on asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure that sufficient funding is available to meet insurance contract obligations.
- Setting up contingency funding plans which specify the minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.

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5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(b) Financial risk (continued)

***Liquidity risk** (continued)*

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

	31 December 2019					
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Assets:						
Cash and cash equivalents	2,914,820	—	—	—	—	2,914,820
Financial assets at fair value through profit or loss	—	692,437	3,250,131	820,458	2,038,712	6,801,738
Securities purchased under agreements to resell	—	160,000	—	—	—	160,000
Premium receivables	—	3,532,160	—	—	—	3,532,160
Reinsurance receivables	—	238,028	—	—	—	238,028
Available-for-sale financial assets	—	1,848,373	5,885,094	878,355	4,636,925	13,248,747
Investments classified as loans and receivables	—	151,374	1,078,538	326,363	—	1,556,275
Loans and advances to customers	—	1,913	50,326	—	—	52,239
Term deposits	—	—	382,500	—	—	382,500
Restricted statutory deposits	—	—	330,729	—	—	330,729
Other assets	—	955,162	49,429	—	—	1,004,591
Total	2,914,820	7,579,447	11,026,747	2,025,176	6,675,637	30,221,827
Liabilities:						
Securities sold under agreements to repurchase	—	4,049,725	—	—	—	4,049,725
Reinsurance payables	—	218,060	—	—	—	218,060
Other liabilities	—	1,379,991	—	—	262,694	1,642,685
Total	—	5,647,776	—	—	262,694	5,910,470

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(b) Financial risk (continued)

***Liquidity risk** (continued)*

	31 December 2018					
	On demand	**Within 1 year**	**1 to 5 years**	**Over 5 years**	**Undated**	**Total**
Assets:						
Cash and cash equivalents	2,356,829	70,027	—	—	—	2,426,856
Financial assets at fair value through profit or loss	—	1,270,667	4,986,923	1,689,882	2,813,230	10,760,702
Securities purchased under agreements to resell	—	1,038,887	—	—	—	1,038,887
Premium receivables	—	2,026,922	10,363	—	—	2,037,285
Reinsurance receivables	—	287,379	—	—	—	287,379
Available-for-sale financial assets	—	1,303,289	4,068,784	1,039,854	1,174,854	7,586,781
Investments classified as loans and receivables	—	35,250	343,103	389,900	—	768,253
Loans and advances to customers	—	71,295	—	—	—	71,295
Term deposits	—	301,065	837,300	—	—	1,138,365
Restricted statutory deposits	—	49,193	276,227	—	—	325,420
Other assets	—	756,349	82,371	—	—	838,720
Total	2,356,829	7,210,323	10,605,071	3,119,636	3,988,084	27,279,943
Liabilities:						
Securities sold under agreements to repurchase	—	2,552,928	—	—	—	2,552,928
Reinsurance payables	—	355,271	—	—	—	355,271
Borrowing	—	59,716	—	—	—	59,716
Other liabilities	—	1,092,396	—	—	19,522	1,111,918
Total	—	4,060,311	—	—	19,522	4,079,833

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5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(b) Financial risk (continued)

Maximum exposure of structured entities

The Group uses structured entities in the normal course of business for a number of purposes, for example, structured transactions for institutions, to provide finance to public and private section infrastructure projects, and to generate fees from managing assets on behalf of third-party investors. These structured entities are financed through the contracts.

The following table shows the total assets of the various types of unconsolidated structured entities. The table also shows the Group's maximum exposure to the unconsolidated structured entities representing the Group's maximum possible risk exposure that could occur as a result of the Group's arrangements with structured entities. The maximum exposure is contingent in nature and approximates the sum of the total assets of unconsolidated structured entities.

As at 31 December of 2019, Group's maximum exposure are shown below:

	31 December 2019
Wealth management products	2,576,079
Funds investments	1,991,588
Trust investment schemes	1,276,676
Unlisted equity investments	25,450
Total	5,869,793

(c) Operational risk

Operational risk is the risk of loss arising from inadequacy or failure on business processes, human error, information system failure, and etc. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial losses.

The Group is exposed to many types of operational risks in the conduct of its business, from inadequate or failure to obtain proper authorizations or supporting documentation to comply with operational and informational security procedures that prevent frauds or errors by employees, payment security, system attack and Trojan virus such information risks based on the Internet.

The Group cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access controls, authorization and reconciliation procedures, staff education and assessment processes, including the use of compliance check and internal audit.

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(d) Capital management risks

The capital demands of the Group is mainly based on the Company size, types of debt business, industry and geographic location. Further objectives are set by the Group to maintain a strong credit rating and healthy solvency margin capital ratios in order to support its business objectives and maximize shareholders' value.

The Group manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. The Group will adjust the capital level when the economic condition and risk characteristics of the operating activities changes.

At 31 December of 2019, the Group was fully in compliance with externally required capital requirement. The Group has formally implemented China Risk Oriented Solvency System since 1 January 2016 by reference to the "Notice on the Formal Implementation of China Risk Oriented Solvency System by CIRC".

The table below summarizes the core capital, actual capital and minimum required capital of the Company according to CIRC's solvency rules.

	31December 2019	31 December 2018
Core capital	14,587,980	15,135,283
Actual capital	14,587,980	15,135,283
Minimum required capital	2,903,217	2,524,270
Core solvency margin ratio	502%	600%
Comprehensive solvency margin ratio	502%	600%

According to the relevant regulations, if the actual solvency margin of an insurance company falls below the minimum solvency margin, the CIRC may take additional necessary measures depending on the circumstances, until the minimum solvency margin requirement is satisfied.

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5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(e) Fair value measurement

Fair value estimates are made at a specific point in time based on relevant market information and information about financial instruments. When an active market exists, such as an authorized securities exchange, the market value is the best reflection of the fair values of financial instruments. For financial instruments where there is no active market, fair value is determined using valuation techniques.

The Group's financial assets mainly include cash and cash equivalents, financial assets at fair value through profit or loss, available-for-sale financial assets, restricted statutory deposits, and etc.

Determination of fair value and fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchies. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The levels of the fair value hierarchy are as follows:

(a) Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities ("Level 1");

(b) Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) ("Level 2"); and

(c) Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) ("Level 3").

The level of fair value calculation is determined by the lowest level input with material significant in the overall calculation. As such, the significance of the input should be considered from an overall perspective in the calculation of fair value.

For Level 2 financial instruments, valuations are generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. Valuation service providers typically gather, analyse and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities. Debt securities traded among Chinese interbank market are classified as Level 2 when they are valued at recent quoted price from Chinese interbank market or from valuation service providers. Substantially most financial instruments classified within Level 2 of the fair value hierarchy are debt investments denominated in RMB. Fair value of debt investments denominated in RMB is determined based upon the valuation results by the China Central Depository & Clearing Co., Ltd, China Securities Depository and Clearing Corporation Limited and Shanghai Clearing House. All significant inputs are observable in the market.

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(e) Fair value measurement (continued)

Determination of fair value and fair value hierarchy (continued)

For Level 3 financial instruments, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement, and valuation methodologies such as discounted cash flow models and other similar techniques. The Group's valuation team may choose to apply internally developed valuation method to the assets or liabilities being measured, determine the main inputs for valuation, and analyse the change of the valuation and report it to management. Key inputs involved in internal valuation services are not based on observable market data. They reflect assumptions made by management based on judgements and experiences.

For assets and liabilities that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

	31 December 2019			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Financial assets at fair value through profit or loss				
– Fund investments	718,505	—	—	718,505
– Equity investments	56,456	—	—	56,456
– Debt investments	1,539,220	2,642,604	—	4,181,824
– Wealth management products	—	1,263,751	—	1,263,751
Available-for-sale financial assets				
– Debt investments	2,849,160	4,714,587	—	7,563,747
– Equity investments	2,026,064	—	—	2,026,064
– Fund investments	1,273,083	—	—	1,273,083
– Wealth management products	—	1,312,328	—	1,312,328
– Unlisted equity investments	—	—	25,450	25,450
	8,462,488	9,933,270	25,450	18,421,208
Assets for which fair values are disclosed				
Investments classified as loans and receivables	—	—	1,276,676	1,276,676

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5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(e) Fair value measurement (continued)

Determination of fair value and fair value hierarchy *(continued)*

	31 December 2018			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Financial assets at fair value through profit or loss				
– Fund investments	748,691	—	—	748,691
– Equity investments	479,074	—	—	479,074
– Debt investments	2,410,420	4,064,434	—	6,474,854
– Wealth management products	—	1,585,465	—	1,585,465
Available-for-sale financial assets				
– Debt investments	1,627,363	3,770,597	—	5,397,960
– Equity investments	288,646	—	—	288,646
– Fund investments	715,236	—	—	715,236
– Wealth management products	—	145,792	—	145,792
– Unlisted equity investments	—	—	25,180	25,180
	6,269,430	9,566,288	25,180	15,860,898
Assets for which fair values are disclosed				
Investments classified as loans and receivables	—	—	597,069	597,069

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

	31 December 2019			
	Beginning of year	Increase	Net unrealized gain recognized in other comprehensive income	End of year
Available-for-sale financial assets				
– Unlisted equity investments	25,180	270	—	25,450

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

(e) Fair value measurement (continued)

Valuation techniques

The fair value of the unquoted debt investments is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities, with appropriate adjustment where applicable.

The fair value of the unquoted equity investments has been determined using valuation techniques such as comparable company valuation multiples, recent transaction prices of the same or similar instruments, with appropriate adjustments have been made where applicable, for example, for lack of liquidity using option pricing models. The valuation requires management to make certain assumptions about unobservable inputs to the model, which mainly include historical volatility and estimated time period prior to the listing of the unquoted equity instruments, etc. The fair value of the unquoted equity investments is not significantly sensitive to a reasonable change in these unobservable inputs.

6. SUBSIDIARIES

(a) The Company's subsidiaries as at 31 December 2019 are as follows:

Name	Place of operations	Place of incorporation/ registration	Nature of business	Registered capital (thousand)	Percentage of equity	Acquisition Mode
ZhongAn Information Technology Services Limited Company ("ZhongAn Technology") (a)	Shanghai The PRC	Shenzhen, The PRC	Technology Development/ Technology Consulting	RMB3,000,000	100.00%	Set-up
ZhongAn Online Insurance Broker Limited Company ("ZhongAn Insurance Broker")	Guangzhou, The PRC	Guangzhou, The PRC	Insurance Broker	RMB100,000	100.00%	Set-up
Hangzhou Qihui Internet Technology Limited Company ("Hangzhou Qihui")	Hangzhou, The PRC	Hangzhou, The PRC	Technology Development/ Technology Consulting	RMB3,000	100.00%	Equity Purchase
ZhongAn (ShenZhen) Life Sciences Co., Ltd ("ZhongAn Life Sciences") (b)	Shenzhen, The PRC	Shenzhen, The PRC	Bio Technology	RMB100,000	70.00%	Set-up
Shanghai Lianmo Information Technology Co., Ltd. ("Shanghai Lianmo") (c)	Shanghai, The PRC	Shanghai, The PRC	Technology Development/ Technology Consulting	RMB7,010	100.00%	Equity Purchase
ZhongAn Technologies International Group Limited ("ZhongAn International") (d)	Hong Kong, The PRC	Hong Kong, The PRC	Technology Development/ Technology Consulting	RMB2,070,784	51.00%	Set-up
ZhongAn (HaiNan) Medical Technology Co., Ltd ("ZhongAn Medical Technology") (e)	Hainan, The PRC	Hainan, The PRC	Online Medical Service	RMB5,000	70.00%	Set-up
Hebei Xiongan ZhongAn Financial Service Information Technology Limited Company ("Hebei Xiongan Information") (f)	Hebei, The PRC	Hebei, The PRC	Technology Development/ Technology Consulting	RMB3,000	100.00%	Set-up

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6. SUBSIDIARIES (continued)

(a) The Company's subsidiaries as at 31 December 2019 are as follows: (continued)

Name	Place of operations	Place of incorporation/ registration	Nature of business	Registered capital (thousand)	Percentage of equity	Acquisition Mode
ZA Technology Services Ltd. ("ZA Technology") (g)	British Virgin Islands	British Virgin Islands	Technology Development/ Technology Consulting	USD 0.001	100.00%	Set-up
Ningbo Haoyin Biotechnology Co., Ltd. ("Ningbo Haoyin")	Ningbo, The PRC	Ningbo, The PRC	Bio Technology	RMB66,700	54.87%	Set-up
ZhongAn (Hainan) Telemedicine Centre Ltd. ("ZA Telemedicine Centre") (h)	Hainan, The PRC	Hainan, The PRC	Telemedicine	RMB1,000	100.00%	Set-up
ZhongAn (Hainan) Internet Hospital Ltd. ("ZA Internet Hospital") (i)	Hainan, The PRC	Hainan, The PRC	Internet Hospital	RMB1,000	100.00%	Set-up
ZA Tech Global Limited ("ZA Tech Global") (j)	Hong Kong, The PRC	Hong Kong, The PRC	Technology Development/ Technology Consulting	HKD 156,797	49.00%	Set-up
ZhongAn Financial Services Limited ("ZA Financial") (k)	Hong Kong, The PRC	Hong Kong, The PRC	Investment holding	HKD 1,500,000	100.00%	Set-up
ZA Life Limited ("ZA Life") (l)	Hong Kong, The PRC	Hong Kong, The PRC	Life Insurance (subject to regulatory approval)	HKD 1	65.00%	Set-up
ZA Care Limited ("ZA Care") (m)	Hong Kong, The PRC	Hong Kong, The PRC	Technology	–	100.00%	Set-up
ZhongAn Digital Asset Group Ltd. ("ZA Digital Asset") (n)	British Virgin Islands	British Virgin Islands	Digital Asset	USD 50	100.00%	Set-up
ZhongAn International Investment Management Company ("ZA International Investment") (o)	Hong Kong, The PRC	Hong Kong, The PRC	Asset Management	HKD 0.1	100.00%	Set-up
ZhongAn International Financial Services Limited ("ZA International Financial") (p)	Hong Kong, The PRC	Hong Kong, The PRC	Financial	HKD 0.1	100.00%	Set-up
ZA Tech Global (Cayman) Limited ("ZA Tech Global Cayman")	Cayman Islands	Cayman Islands	Technology Development/ Technology Consulting	USD 50	100.00%	Set-up
ZA Tech Japan Inc ("ZA Japan")	Tokyo, Japan	Tokyo, Japan	Technology Development/ Technology Consulting	JPY 20,000	100.00%	Set-up
ZA Tech Global (Singapore) PTE. LTD. ("ZA Tech Singapore") (q)	Singapore	Singapore	Technology Development/ Technology Consulting	HKD 1,000	100.00%	Set-up
ZA Bank Limited (formerly known as ZhongAn Virtual Finance Limited) ("ZA Bank") (r)	Hong Kong, The PRC	Hong Kong, The PRC	Virtual Bank	HKD 1,500,000	100.00%	Set-up

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

6. SUBSIDIARIES (continued)

(a) The Company's subsidiaries as at 31 December 2019 are as follows: (continued)

(a) On 22 January 2019, 8 April 2019, 17 June 2019, 19 August 2019, 9 October 2019 and 10 October 2019, the Company respectively injected RMB100,000 thousand, RMB100,000 thousand, RMB300,000 thousand, RMB230,000 thousand, RMB100,000 thousand and RMB600,000 thousand separately into ZhongAn Technology, paid-in capital of ZhongAn Technology increase to RMB2,330,000 thousand. The registered capital of ZhongAn Technology is RMB3,000,000 thousand. The Company holds 100% voting rights of ZhongAn Technology.

(b) On 1 April 2019, Shanghai Shulu Enterprise Management Center LLP. subscribed 30% equity of ZhongAn Life Sciences by RMB30,000 thousand pursuant to the equity transfer agreement with ZhongAn Life Sciences. After this transaction, ZhongAn Technology holds 70% of the voting rights of ZhongAn Life Sciences.

(c) On 1 March 2019, ZhongAn Technology injected RMB2,010 thousand into Shanghai Lianmo, increasing its registered capital to RMB7,010 thousand. ZhongAn Technology holds 100% of the voting rights of Shanghai Lianmo.

(d) On 18 July 2019, ZhongAn Technology and Sinolink Worldwide Holdings Limited, together with ZhongAn International, signed a tripartite capital increase agreement to inject respectively RMB1,000,000 thousand and RMB960,784 thousand into ZhongAn International, in accordance with their 51% and 49% shareholding of ZhongAn International. As of 31 December 2019, ZhongAn Technology and Sinolink Worldwide Holdings Limited injected RMB400,000 thousand and RMB384,314 thousand to ZhongAn International, respectively. After this transaction, the paid-in capital of ZhongAn International increased to RMB894,314 thousand, and registered capital increased to RMB2,070,784 thousand. ZhongAn Technology holds 51% of voting rights of ZhongAn International.

(e) On 12 March 2019, ZhongAn Technology together with Shenzhen Guanghuayuanjing Investment Limited Company set up ZhongAn Medical Technology, with registered capital of RMB5,000 thousand. ZhongAn Technology holds 70% of the voting rights of ZhongAn Medical Technology.

(f) On 13 May 2019, ZhongAn Technology injected registered capital of RMB3,000 thousand into Hebei Xiongan Information. ZhongAn Technology holds 100% of the voting rights of Hebei Xiongan Information.

(g) On 27 February 2019, ZhongAn Technology set up ZA Technology, with registered capital of USD1. ZhongAn Technology holds 100% of the voting rights of ZA Technology.

(h) On 14 August 2019, ZhongAn Medical Technology set up ZA Telemedicine Centre, with registered capital of RMB1,000 thousand. ZhongAn Medical Technology holds 100% of voting rights of ZA Telemedicine Centre. ZhongAn Technology holds 100% of voting rights of ZA Telemedicine Centre through ZhongAn Medical Technology.

(i) On 30 August 2019, ZhongAn Medical Technology set up ZA Internet Hospital, with registered capital of RMB1,000 thousand. ZhongAn Medical Technology holds 100% of voting rights of ZA Internet Hospital. ZhongAn Technology holds 100% of voting rights of ZA Internet Hospital through ZhongAn Medical Technology.

(j) On 29 March 2019 and 12 December 2019, ZhongAn International together with SVF Zen JVCO (Singapore) Pte. Ltd. injected USD19,999 thousand in total into ZA Tech Global, amongst which ZhongAn International injected USD9,799 thousand and SVF Zen JVCO (Singapore) Pte. Ltd. injected USD10,200 thousand. After this transaction, ZhongAn International holds 49% of the ownership interest of ZA Tech Global and has the right to appoint a majority of the board of directors and management. ZhongAn Technology has control over ZA Tech Global through ZhongAn International.

(k) On 4 February 2019, ZhongAn International bought back 35% of the equity of ZA Financial from the counter party. As a result, ZhongAn International holds 100% of the voting rights of ZA Financial. On 3 October 2019, ZhongAn International injected HKD500,000 thousand into ZA Financial. After this transaction, the registered capital of ZA Financial increased to HKD1,500,000 thousand and ZhongAn International holds 100% of voting rights of ZA Financial.

(l) On 27 February 2019, ZhongAn International together with a third party set up ZA Life, with registered capital of HKD1 thousand. ZhongAn International holds 65% of the voting rights of ZA Life, and ZhongAn Technology holds 65% of voting rights of ZA Life through ZhongAn International. The nature of business of ZA Life is subject to regulatory approval.

(m) On 23 May 2019, ZhongAn International set up ZA Care, which is a Non-Governmental Organization. ZhongAn International holds 100% of the voting rights of ZA Care and ZhongAn Technology holds 100% of the voting rights of ZA Care through ZhongAn International.

(n) On 2 September 2019, ZhongAn International set up ZA Digital Asset, with registered capital of USD50 thousand. ZhongAn International holds 100% of voting rights of ZA Digital Asset. ZhongAn Technology holds 100% of voting rights of ZA Digital Asset through ZhongAn International.

(o) On 22 October 2019, ZhongAn International set up ZA International Investment, with registered capital of HKD0.1 thousand. ZhongAn International holds 100% of voting rights of ZA International Investment. ZhongAn Technology holds 100% of voting rights of ZA International Investment through ZhongAn International.

(p) On 4 December 2019, ZhongAn International set up ZA International Financial, with registered capital of HKD0.1 thousand. ZhongAn International holds 100% of voting rights of ZA International Financial. ZhongAn Technology holds 100% of voting rights of ZA International Financial through ZhongAn International.

(q) On 16 April 2019, ZA Tech Global set up ZA Tech Singapore, with registered capital of HKD1,000 thousand. ZA Tech Global holds 100% of the voting rights of ZA Tech Singapore. ZhongAn Technology has control over ZA Tech Singapore through ZA Tech Global.

(r) On 3 October 2019, ZA Financial injected HKD500,000 thousand into ZA Bank. After this transaction, the registered capital of ZA Bank increased to HKD1,500,000 thousand and ZhongAn International holds 100% of voting rights of ZA Bank through ZA Financial.

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6. SUBSIDIARIES (continued)

(b) Non-controlling interests

Set out below is summarised financial information for major subsidiaries that has non-controlling interests (NCI). The amounts disclosed for major subsidiaries are before inter-company eliminations.

	Percentage of equity attribute to the NCI	Total comprehensive loss attributable to NCI	Non-controlling interests
ZhongAn International	49%	(159,782)	1,572,985
ZhongAn Life Sciences	30%	(9,706)	19,717
ZhongAn Medical Technology	30%	(326)	1,174

	31 December 2019		31 December 2018	
	Assets	Liabilities	Assets	Liabilities
ZhongAn International	2,225,539	381,884	1,022,497	101,422
ZhongAn Life Sciences	91,232	37,108	71,374	18,536
ZhongAn Medical Technology	3,985	72	—	—

	Year ended 31 December 2019			Year ended31 December 2018		
	Revenue	Net loss for the year	Total comprehensive loss	Revenue	Net loss for the year	Total comprehensive loss
ZhongAn International	113,821	(310,011)	(279,335)	12,012	(112,624)	(108,513)
ZhongAn Life Sciences	19,813	(27,315)	(27,315)	5,779	(13,285)	(13,285)
ZhongAn Medical Technology	—	(1,087)	(1,087)	—	—	—

6. SUBSIDIARIES (continued)

(b) Non-controlling interests (continued)

Changes in non-controlling interests:

	ZhongAn Microloan	ZhongAn International	ZhongAn Life Sciences	ZhongAn Medical Technology	Total
31 December 2018	91,334	921,877	29,423	—	1,042,634
Issue of preference shares (i)	—	814,105	—	—	814,105
Repurchase of shares (ii)	—	(313,239)	—	—	(313,239)
Contributions from non-controlling interests (iii)	—	454,437	—	1,500	455,937
Deconsolidation of subsidiaries (iv)	(91,629)	—	—	—	(91,629)
Redemption of preferred shares (v)	—	(144,413)	—	—	(144,413)
Total comprehensive income/(loss)	295	(159,782)	(9,706)	(326)	(169,519)
31 December 2019	—	1,572,985	19,717	1,174	1,593,876

i. On 4 February 2019, Warrior Treasure Limited injected RMB342,048 thousand into ZhongAn International, in consideration for redeemable preference shares. On 26 July 2019, Sinolink Worldwide Holdings Limited and Warrior Treasure Limited paid ZhongAn International HK$106,276,058 and HK$430,000,000 in cash, equivalent to RMB472,057 thousand in total, to subscribe additional 93,549 thousand and 378,508 thousand redeemable preference shares of RMB1 each respectively.

ii. On 4 February 2019, ZhongAn International bought back 35% of the equity of ZA Financial from the counter party. As a result, ZhongAn International holds 100% of the equity of ZA Financial, and the non-controlling interests of ZhongAn International decreased by RMB313,239 thousand.

iii. On 22 October 2019, Sinolink Worldwide Holdings Limited injected RMB384,314 thousand into ZhongAn International. After this transaction, Sinolink Worldwide Holdings Limited holds 49% of voting rights of ZhongAn International as a minority interest. On 29 March 2019 and 12 December 2019, SVF Zen JVCO (Singapore) Pte. Ltd. injected USD5,100 thousand and USD5,100 thousand respectively into ZA Tech Global, equivalent to RMB70,123 thousand in total. After this transaction, SVF Zen JVCO (Singapore) Pte. Ltd. holds 51% of voting rights of ZA Tech Global as a minority interest because ZhongAn International has the right to appoint a majority of the board of directors and management.

iv. On 31 May 2019, China Telecom BestPay Co., Ltd. injected RMB210,000 thousand into ZhongAn Microloan. As a result, ZhongAn Technology decreased its percentage of equity of ZhongAn Microloan from 70% to 41.18% and the non-controlling interests of ZhongAn Microloan decreased by RMB91,629 thousand.

v. On 31 October 2019, ZhongAn International redeemed 140,000 thousand redeemable preference shares from Sinolink Worldwide Holdings Limited and the non-controlling interests of ZhongAn International decreased by RMB144,413 thousand.

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6. SUBSIDIARIES (continued)

(c) At 31 December 2019, consolidated structured entities are as followings:

Name	Holding by the Company (%)	Total Subscription (RMB'000)	Principal activities
ZhongAn TaiKang Asset Management Plan	100%	4,794,927	Asset Management Product
ZhongAn LeXiang No.1 Asset Management Plan	100%	3,961,633	Asset Management Product
ICBC Credit Suisse Asset Management ZhongAn Insurance No.1 Asset Management Plan	100%	800,000	Asset Management Product
ZhongAn TaiPing Asset Management Plan	100%	76,421	Asset Management Product
E Fund ZhongAn Insurance No.1 Asset Management Plan	100%	4,291	Asset Management Product

7. NET PREMIUMS EARNED

	Year ended 31 December 2019	Year ended 31 December 2018
Gross written premiums (a)	14,629,589	11,255,718
– Property and casualty insurance written premiums	8,197,079	6,690,556
– Short-term life insurance written premiums	6,432,510	4,565,162
Less: Premiums ceded to reinsurers (b)	(234,148)	(462,622)
Net written premiums	14,395,441	10,793,096
Less: Net change in unearned premium reserves	(1,593,990)	(1,992,793)
Net premiums earned	12,801,451	8,800,303

7. NET PREMIUMS EARNED (continued)

(a) Gross written premiums

This represents gross premium income from direct insurance business, and the breakdown by line of product is as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
Health insurance	**4,634,895**	2,365,378
Bond insurance	**2,938,766**	2,267,705
Accident insurance	**1,797,615**	2,199,784
Motor insurance	**1,263,723**	1,146,030
Credit insurance	**440,297**	1,492,190
Cargo insurance	**203,444**	148,623
Liability insurance	**137,129**	467,179
Household property insurance	**49,963**	33,480
Others	**3,163,757**	1,135,349
	14,629,589	11,255,718

Others primarily consist of shipping return insurance, which generated gross written premiums of RMB3,072,572 thousand and RMB1,057,889 thousand for the years ended 31 December 2019 and 2018, respectively.

(b) Premiums ceded to reinsurers

	Year ended 31 December 2019	Year ended 31 December 2018
Health insurance	**206,255**	222,590
Accident insurance	**26,606**	233,736
Others	**1,287**	6,296
	234,148	462,622

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8. NET INVESTMENT INCOME

	Year ended 31 December 2019	Year ended 31 December 2018
Interest income		
– Debt investments	486,044	517,414
– Trust investment scheme	63,045	95,842
– Bank deposit	61,970	63,008
– Securities purchased under agreements to resell	8,070	24,450
Dividend income		
– Wealth management products	221,778	13,515
– Fund investments	193,553	89,161
– Equity investments	28,442	39,703
Realized gains/(losses), net	712,884	(68,608)
	1,775,786	774,485

9. NET FAIR VALUE CHANGES THROUGH PROFIT OR LOSS

	Year ended 31 December 2019	Year ended 31 December 2018
Financial assets designated at fair value through profit or loss		
– Equity investments	90,295	(233,441)
– Fund investments	38,331	(22,468)
– Wealth management products	32,703	19,639
– Debt investments	8,567	82,321
	169,896	(153,949)

10. OTHER INCOME

	Year ended 31 December 2019	Year ended 31 December 2018
Revenue from services (a)	278,479	108,692
Government grants (b)	69,878	54,031
Sale of goods (c)	21,264	1,189
Interest income from loans and advances to customers (d)	5,997	19,877
Others	1,213	5,686
	376,831	189,475

(a) Revenue from services include information technology services and other services provided by the Group.

(b) Government grants include rental subsidies, development support funds and government subsidies related to intangible assets, and etc.

(c) The income of sale of goods is mainly derived from an online platform operated by Hangzhou Qihui, Shanghai Lianmo and ZhongAn Life Science, the subsidiaries of the Company.

(d) Interest income from loans and advances to customers is derived from small loan business operated by ZhongAn Microloan. The Company lost control of ZhongAn Microloan on 31 May 2019.

11. NET CLAIMS INCURRED

	Year ended 31 December 2019	Year ended 31 December 2018
Insurance claims paid (a)	8,291,538	4,650,741
– Property and casualty insurance claims paid	6,691,839	3,640,997
– Short-term life insurance claims paid	1,599,699	1,009,744
Less: Claims paid ceded to reinsurers (b)	(256,472)	(175,759)
Net claims paid	8,035,066	4,474,982
Add: Net change in insurance contract liabilities	589,623	793,454
	8,624,689	5,268,436

(a) Insurance claims paid

	Year ended 31 December 2019	Year ended 31 December 2018
Bond insurance	1,961,157	1,011,941
Credit insurance	1,092,630	983,973
Health insurance	1,054,767	619,589
Motor insurance	565,433	232,994
Accident insurance	544,932	390,155
Liability insurance	474,598	370,499
Cargo insurance	193,996	136,040
Household property insurance	8,494	52,982
Others	2,395,531	852,568
	8,291,538	4,650,741

Others primarily consist of shipping return insurance, the insurance claims paid of which were RMB2,299,248 thousand and RMB790,939 thousand for the years ended 31 December 2019 and 2018, respectively.

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11. NET CLAIMS INCURRED (continued)

(b) Claims paid ceded to reinsurers

	Year ended 31 December 2019	Year ended 31 December 2018
Accident insurance	132,149	69,325
Health insurance	119,481	106,108
Others	4,842	326
	256,472	175,759

12. HANDLING CHARGES AND COMMISSIONS

	Year ended 31 December 2019	Year ended 31 December 2018
Handling charges and commissions before reinsurance arrangement	911,058	1,237,029
Less: Reinsurance expense recovered	(1,149)	(162,273)
Handling charges and commissions	909,909	1,074,756

13. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December 2019	Year ended 31 December 2018
Consulting and technical fee(a)	2,751,841	2,741,296
Employee benefit expense	950,048	839,995
Advertising and marketing expense	608,574	210,079
Impairment loss	192,630	136,701
Amortisation of right-of-use assets	99,248	—
Amortisation of intangible assets	86,886	64,567
Taxes and surcharges	60,684	46,713
Depreciation of property and equipment	42,257	27,020
Auditors' remuneration	12,637	8,921
Rental fees	11,187	117,290
Other	600,867	434,377
	5,416,859	4,626,959

(a) The Group enters into consulting and technical service fee arrangements with different counterparties, with the related technical service fee being determined based on the customer volume introduced and services provided by the counterparties. As the main operating costs, the Group periodically settles consulting and technical service fee based on the provisions of the contracts.

14. OTHER EXPENSES

	Year ended 31 December 2019	Year ended 31 December 2018
Expense of providing services	426,878	319,042
Cost of providing services	184,045	83,962
Other	19,342	10,036
	630,265	413,040

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

	Year ended 31 December 2019	Year ended 31 December 2018
Salaries, allowances and other short-term benefits	800,403	703,410
Contributions to defined contribution plans (a)	149,645	135,805
Share-based payments	—	780
	950,048	839,995

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

16. DIRECTORS' AND SUPERVISORS' REMUNERATION

	Year ended 31 December 2019	Year ended 31 December 2018
Wages, salaries and bonuses	5,507	5,208
Share-based payments	—	174
Pension costs - defined contribution plans	88	102
Other social security costs, housing benefits and other employee benefits	87	104
	5,682	5,588

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16. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(a) Independent non-executive directors

	Year ended 31 December 2019				
	Wages, salaries and bonuses	Pension costs - defined contribution plans	Other social security costs, housing benefits and other employee benefits	Share-based payments	Total
CHEN Hui (陳慧)	125	—	—	—	125
ZHANG Shuang (張爽)	125	—	—	—	125
DU Li (杜力)[1]	125	—	—	—	125
LI YIFAN	125	—	—	—	125
WU Ying (吳鷹)	125	—	—	—	125
OU Wei (歐偉)[2]	10	—	—	—	10
	635	—	—	—	635

1. Resigned from Independent non-executive director in Dec 2019
2. Appointed as independent non-executive director in Dec 2019

	Year ended 31 December 2018				
	Wages, salaries and bonuses	Pension costs - defined contribution plans	Other social security costs, housing benefits and other employee benefits	Share-based payments	Total
CHEN Hui (陳慧)	125	—	—	—	125
ZHANG Shuang (張爽)	125	—	—	—	125
DU Li (杜力)	125	—	—	—	125
LI YIFAN	125	—	—	—	125
WU Ying (吳鷹)	125	—	—	—	125
	625	—	—	—	625

16. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(b) Executive directors and non-executive directors

	Year ended 31 December 2019				
	Wages, salaries and bonuses	Pension costs - defined contribution plans	Other social security costs, housing benefits and other employee benefits	Share-based payments	Total
Executive directors					
OU Yaping (歐亞平)	—	—	—	—	—
CHEN Jin (陳勁)	1,534	38	37	—	1,609
Ou Jinyi (歐晉羿)	1,469	—	—	—	1,469
Non-executive directors:					
HAN Xinyi (韓歆毅)	—	—	—	—	—
LAI Chi Ming, Jimmy (賴智明)	—	—	—	—	—
WANG Guoping (王國平)[1]	58	—	—	—	58
SHI Liangxun (史良洵)[2]	10	—	—	—	10
HU Xiaoming (胡曉明)	—	—	—	—	—
ZHENG Fang (鄭方)[1]	58	—	—	—	58
YIN Ming (尹銘)[2]	—	—	—	—	—
	3,129	38	37	—	3,204

1. Resigned from non-executive directors in Nov 2019
2. Appointed as non-executive directors in Nov 2019

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16. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

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

	Year ended 31 December 2018				
	Wages, salaries and bonuses	**Pension costs - defined contribution plans**	**Other social security costs, housing benefits and other employee benefits**	**Share-based payments**	**Total**
Executive directors					
OU Yaping (歐亞平)	—	—	—	—	—
CHEN Jin (陳勁)	1,750	51	44	174	2,019
Ou Jinyi (歐晉羿)	1,231	—	—	—	1,231
Non-executive directors:					
HAN Xinyi (韓歆毅)	—	—	—	—	—
LAI Chi Ming, Jimmy (賴智明)	—	—	—	—	—
WANG Guoping (王國平)	63	—	—	—	63
HU Xiaoming (胡曉明)	—	—	—	—	—
ZHENG Fang (鄭方)	63	—	—	—	63
	3,107	51	44	174	3,376

16. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(c) Supervisors

	Year ended 31 December 2019				
	Wages, salaries and bonuses	Pension costs - defined contribution plans	Other social security costs, housing benefits and other employee benefits	Share-based payments	Total
GAN Baoyan (干寶雁)	25	—	—	—	25
WEN Yuping (溫玉萍)	25	—	—	—	25
Liu Haijiao (劉海姣)	1,693	50	50	—	1,793
	1,743	50	50	—	1,843

	Year ended 31 December 2018				
	Wages, salaries and bonuses	Pension costs - defined contribution plans	Other social security costs, housing benefits and other employee benefits	Share-based payments	Total
GAN Baoyan (干寶雁)	25	—	—	—	25
WEN Yuping (溫玉萍)	25	—	—	—	25
Xiang Lei[1] (向雷)	513	16	30	—	559
Liu Haijiao[2] (劉海姣)	913	35	30	—	978
	1,476	51	60	—	1,587

1. Resigned from supervisor in May 2018
2. Appointed as supervisor in May 2018

There was no payment of their other services in connection with the management of the affairs of the Company or its subsidiaries undertaking for the years ended 31 December 2019 and 2018, respectively.

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17. FIVE HIGHEST PAID INDIVIDUALS

The number of highest paid non-director individuals whose remuneration fell within the following bands is set out below:

	Year ended 31 December 2019	Year ended 31 December 2018
Nil to RMB1,000,000	—	—
RMB1,000,001 to RMB2,000,000	4	5
RMB2,000,001 to RMB3,000,000	1	—
RMB3,000,001 to RMB4,000,000	—	—
RMB5,000,001 to RMB6,000,000	—	—
Total	5	5

Details of the remuneration of the highest paid non-director individuals are as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
Wages, salaries and bonuses	9,743	8,562
Pension costs — defined contribution plans	222	192
Other social security costs, housing benefits and other employee benefits	265	194
	10,230	8,948

18. INCOME TAX

(a) Income tax

	Year ended 31 December 2019	Year ended 31 December 2018
Current income tax	3,441	1,912
Deferred income tax (note 36)	24,366	(15,355)
	27,807	(13,443)

(b) Reconciliation of income tax

A reconciliation of income tax applicable to loss before income tax using the applicable income tax rate to the income tax at the Group's effective tax rate is as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
Loss before income tax	(610,838)	(1,810,161)
Tax computed at the applicable tax rate	(87,938)	(407,705)
Income not subject to tax	(47,965)	(12,352)
Expenses not deductible for tax	1,898	8,983
Extra tax deductions for research and development costs	(33,262)	—
Deductable temporary differences for which no deferred income tax asset was recognised	244,904	397,265
Adjustments to income tax in respect of previous periods	(50,121)	(3,720)
Others	291	4,086
Income tax at the Group's effective rate	27,807	(13,443)

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19. LOSS PER SHARE

Basic loss per share is calculated by dividing net loss for the year by the weighted average number of shares in issue during the year. Diluted loss per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares.

The calculation of loss per share is based on the following:

	Year ended 31 December 2019	Year ended 31 December 2018
Net loss for the year attributable to owners of the parent	(454,101)	(1,743,895)
Weighted average number of shares in issue (in thousand)	1,469,813	1,469,813
Basic loss per share (RMB yuan)	(0.31)	(1.19)
Diluted loss per share (RMB yuan)	(0.31)	(1.19)

The Company had no dilutive potential shares at 31 December 2019 and 2018, respectively.

20. OTHER COMPREHENSIVE INCOME/(LOSS)

	Year ended 31 December 2019	Year ended 31 December 2018
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
– Reclassification adjustments for amounts transferred to profit or loss	6,584	17,960
– Changes in the fair value of available-for-sale financial assets, before tax	(103,804)	(35,749)
– Impairment charges reclassified to profit or loss	—	79,136
	(97,220)	61,347
Income tax relating to available-for-sale financial assets	24,305	(15,336)
Exchange differences on translation of foreign operations	30,631	6,939
Other comprehensive income/(loss)	(42,284)	52,950

21. CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018
Cash in hand	102	—
Deposits with original maturity of no more than three months	1,512,322	2,360,898
Placements with banks	667,627	—
Due from banks	465,770	—
Other monetary assets (a)	268,999	65,931
	2,914,820	2,426,829

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

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2019	31 December 2018
Listed		
– Debt investments	1,539,220	2,410,420
– Equity investments	56,456	479,074
– Fund investments	—	73,823
Unlisted		
– Debt investments	2,642,604	4,064,434
– Wealth management products	1,263,751	1,585,465
– Fund investments	718,505	674,868
	6,220,536	9,288,084

23. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

	31 December 2019	31 December 2018
Securities - bonds		
– Inter-bank market	160,000	660,987
– Stock exchange	—	377,900
	160,000	1,038,887

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24. INTEREST RECEIVABLES

	31 December 2019	31 December 2018
Debt investments	283,283	316,818
Bank deposits	26,855	32,840
Loans	2,112	33,398
Securities purchased under agreements to resell	8	1,019
Less: Impairment provisions	(6,180)	(6,180)
	306,078	377,895

25. PREMIUM RECEIVABLES

	31 December 2019	31 December 2018
Premium receivables	3,712,817	2,048,419
Less: Provision for impairment of premium receivables	(180,657)	(11,133)
	3,532,160	2,037,286

Aging analysis of the premium receivables is as follows:

	31 December 2019	31 December 2018
Within 3 months (including 3 months)	3,444,507	1,933,879
Over 3 months and within 1 year (including 1 year)	87,653	93,044
Over 1 year	—	10,363
	3,532,160	2,037,286

26. REINSURANCE RECEIVABLES

	31 December 2019	31 December 2018
Reinsurance receivables	238,028	287,379
Less: Provision for impairment of reinsurance receivables	—	—
	238,028	287,379

Aging analysis of reinsurance receivables is as follows:

	31 December 2019	31 December 2018
Within 1 year (including 1 year)	222,453	277,735
Over 1 year	15,575	9,644
	238,028	287,379

27. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

	31 December 2019	31 December 2018
Listed		
– Debt investments	2,849,160	1,627,363
– Equity investments	2,026,064	288,646
– Fund investments	43,019	80,602
Unlisted		
– Debt investments	4,791,274	3,849,733
– Wealth management products	1,312,328	145,792
– Fund investments	1,230,064	634,634
– Equity investments	25,450	25,180
Less: Impairment provisions	(76,687)	(79,136)
	12,200,672	6,572,814

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28. LOANS AND ADVANCES TO CUSTOMERS

(a) Analyzed by corporate and individual

	31 December 2019	31 December 2018
Individual customers	—	81,797
Corporate customers	50,900	4,600
Less: Loan loss provisions (b)	—	(15,102)
	50,900	71,295

All the loans and advances to customers are unsecured.

(b) Loan loss provisions

1 January 2019	15,102
Provision for the year	2,639
Reversal during the year	(1,012)
Transfer due to subsidiary disposal	(16,729)
31 December 2019	—

29. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	31 December 2019	31 December 2018
Trust investment schemes	1,276,676	597,069

At 31 December 2019 and 2018, the underlying loan assets of the trust investment schemes were neither pass due nor impaired. After considering the creditability of each of the counterparties and the collateral or guarantee obtained, no impairment was provided for such loan assets. The Group's maximum exposure to loss in the trust investment schemes is limited to their carrying amounts, see Note 5(b).

30. TERM DEPOSITS

Maturity Period	31 December 2019	31 December 2018
3 months to 1 year (including 1 year)	—	300,000
3 to 4 years (including 4 years)	300,000	—
4 to 5 years (including 5 years)	—	660,000
	300,000	960,000

31. RESTRICTED STATUTORY DEPOSITS

	31 December 2019	31 December 2018
At the beginning of the year	293,963	248,125
Increase	48,500	45,838
Decrease	(48,125)	—
At the end of the year	294,338	293,963

	31 December 2019		
	Amount	Storage	Period
China Citic Bank	145,838	Term deposit	3 years
China Everbright Bank	148,500	Term deposit	3 years
Total	294,338		

	31 December 2018		
	Amount	Storage	Period
China Citic Bank	145,838	Term deposit	3 years
China Everbright Bank	100,000	Term deposit	3 years
China Everbright Bank	48,125	Term deposit	1 years
Total	293,963		

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

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32. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	1 January 2019	Additions	Transfer in/ (out) due to subsidiary disposal	Share of profit/(loss)	31 December 2019
Shanghai Dexu Investment Center (Limited Partnership) ("Shanghai Dexu")	316,753	—	—	1,621	318,374
ZA-CP Network Technology (Shanghai) Co., Ltd. ("ZA-CP")	9,689	—	—	(4,993)	4,696
Youwozai (Beijing) Network Technology Limited Company ("Youwozai (Beijing)")	7,111	—	—	(3,911)	3,200
Shenzhen Small and Medium P&C-Union Investment Co., Ltd. ("Shenzhen Small and Medium")	5,812	—	—	(535)	5,277
Shanghai Nuanwa Technology Co., Ltd ("Shanghai Nuanwa") (a)	3,227	35,121	—	(2,464)	35,884
Shanghai Xiaojia Financial Technology Service Co., Ltd. ("Shanghai Xiaojia") (b)	2,244	2,400	(2,244)	(104)	2,296
Chongqing ZhongAn Microloan Limited Company ("ZhongAn Microloan") (c)	—	—	209,911	(1,037)	208,874
A3 Holdings Inc. ("A3 Holdings") (d)	—	28,108	—	25	28,133
Nova Technology Ltd. ("Nova Technology") (e)	—	30,035	—	(24,403)	5,632
Shanghai Dingzuan Ltd ("Dingzuan") (f)	—	1,103	—	(160)	943
	344,836	96,767	207,667	(35,961)	613,309

32. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (continued)

(a) On 30 April 2019, ZhongAn Technology together with Shanghai Longhao Enterprise Management Center LLP. signed an capital injection agreement, ZhongAn Technology injected a total number of cash and non-monetary assets, valued at RMB35,121 thousand. ZhongAn Technology retained 44% voting rights of Shanghai Nuanwa.

(b) On 1 January 2019, the investment of Shanghai Xiaojia was held by ZhongAn Microloan, a subsidiary the Group lost control of in May 2019. On 20 June 2019, ZhongAn Technology purchased the investment of Shanghai Xiaojia from ZhongAn Microloan at the price of RMB2,400 thousand. ZhongAn Technology acts as a shareholder with 1 designated director out of 5 in the board of directors.

(c) On 31 May 2019, China Telecom BestPay Co., Ltd. injected RMB210,000 thousand into ZhongAn Microloan. As a result, ZhongAn Technology decreased its voting rights of ZhongAn Microloan from 70% to 41.18%, and investment loss of RMB3,147 thousand was recognized due to this transaction.

(d) On 15 March 2019, ZA Tech Global Cayman injected HKD19,624 thousand into A3 Holdings and non-cash service valued at HKD11,745 thousand in the second half of 2019, equivalent to RMB28,108 thousand in total. As a result, ZA Tech Global Cayman obtained 40% of the voting rights of A3 Holdings, and ZhongAn Technology holds 40% of the voting rights of A3 Holdings through ZA Tech Global Cayman. ZA Tech Global Cayman acts as a shareholder with 2 out of 5 seats on the board of A3 Holdings.

(e) On 27 August 2019, ZA Technology together with Shanghai Longhao, SCC Venture VII Holdco, Ltd. and Liberty Island Holding Limited set up Nova Technology. ZA Technology injected RMB30,035 thousand into Nova Technology, and holds 40% of the voting rights of Nova Technology.

(f) On 29 September 2019, ZhongAn Technology purchased the investment of Dingzuan from Shenzhen Guanghuayuanjing Investment Limited Company at the price of RMB1,103 thousand. ZhongAn Technology holds 40% of the voting rights of Dingzuan.

Nature of investment in associates and joint ventures as at 31 December 2019

Name	Place of incorporation	Percentage of ownership interest	Percentage of voting power	Registered capital (thousand)	Paid-up capital (thousand)	Principal activity
Shenzhen Small and Medium	Shenzhen, The PRC	2.30%	2.30%	260,000	212,000	Investment consulting
Shanghai Dexu	Shanghai, The PRC	70.00%	20.00%	500,000	355,000	Investment management
Youwozai (Beijing)	Beijing, The PRC	36.93%	36.93%	2,166	2,166	Technology consulting
Shanghai Nuanwa	Shanghai, The PRC	44.00%	44.00%	11,000	11,000	Technology consulting
Shanghai Xiaojia	Shanghai, The PRC	8.00%	20.00%	30,000	30,000	Financial technology services
ZA-CP	Shanghai, The PRC	50.00%	50.00%	USD 3,000	USD 3,000	Technology consulting
ZhongAn Microloan	Chongqing, The PRC	41.18%	41.18%	510,000	510,000	Micro finance
A3 Holdings	Cayman Islands	40.00%	40.00%	USD 50	USD 50	Insure tech
Nova Technology	Cayman Islands	40.00%	40.00%	USD 50	USD 50	Investment Holding
Dingzuan	Shanghai, The PRC	49.00%	49.00%	2,000	2,000	Technology consulting

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33. Leases

(a) Amounts recognised in the consolidated balance sheet

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

	31 December 2019	1 January 2019
Right-of-use assets		
Buildings	360,257	467,832
Equipment	3,378	814
	363,635	468,646
Lease liabilities	398,366	490,399

Additions to the right-of-use assets during 2019 were RMB28,104 thousand.

(b) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	31 December 2019	31 December 2018
Depreciation charge of right-of-use assets		
Buildings	(131,279)	—
Equipment	(1,836)	—
	(133,115)	—
Interest expense	21,791	—
Expense relating to short-term leases	11,187	—

The total cash outflow to leases in 2019 was RMB119,916 thousand.

(c) The Group's leasing activities and how these are accounted for

The Group leases various offices and equipment. Rental contracts are typically made for fixed periods of 1 months to 6.5 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

34. PROPERTY AND EQUIPMENT

	Motor vehicles	Electrical equipment	Office furniture and equipment	Leasehold improvements	Total
Cost					
1 January 2018	3,330	36,665	6,447	74,624	121,066
Additions	813	15,724	2,470	40,716	59,723
Disposals	—	(76)	(22)	—	(98)
31 December 2018	4,143	52,313	8,895	115,340	180,691
Additions	332	9,401	1,088	17,537	28,358
Disposals	—	(1,947)	(167)	—	(2,114)
31 December 2019	4,475	59,767	9,816	132,877	206,935
Accumulated depreciation and impairment					
1 January 2018	(2,183)	(10,019)	(1,792)	(21,893)	(35,887)
Depreciation charge	(688)	(8,398)	(1,544)	(27,486)	(38,116)
Disposals	—	33	9	—	42
31 December 2018	(2,871)	(18,384)	(3,327)	(49,379)	(73,961)
Depreciation charge	(523)	(10,366)	(1,805)	(30,617)	(43,311)
Disposals	—	1,274	31	—	1,305
31 December 2019	(3,394)	(27,476)	(5,101)	(79,996)	(115,967)
Net book value					
31 December 2019	1,081	32,291	4,715	52,881	90,968
31 December 2018	1,272	33,929	5,568	65,961	106,730

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

35. INTANGIBLE ASSETS

	Software	Patent	Other	Total
Cost				
1 January 2018	347,213	—	19	347,232
Additions	222,282	30,100	1,807	254,189
31 December 2018	569,495	30,100	1,826	601,421
Additions	235,209	—	—	235,209
31 December 2019	**804,704**	**30,100**	**1,826**	**836,630**
Accumulated amortisation and impairment				
1 January 2018	(93,566)	—	(7)	(93,573)
Amortization	(73,327)	(1,003)	(183)	(74,513)
Impairment	(24,074)	—	—	(24,074)
31 December 2018	(190,967)	(1,003)	(190)	(192,160)
Amortization	(116,408)	(3,010)	(183)	(119,601)
Impairment	(36,090)	—	—	(36,090)
31 December 2019	**(343,465)**	**(4,013)**	**(373)**	**(347,851)**
Net book value				
31 December 2019	**461,239**	**26,087**	**1,453**	**488,779**
31 December 2018	378,528	29,097	1,636	409,261

36. DEFERRED INCOME TAX ASSETS AND LIABILITIES

	31 December 2019	31 December 2018
Net deferred income tax assets/(liabilities), at the beginning of year	19	—
Recognized in profit or loss	(24,366)	15,355
Recognized in other comprehensive income	24,305	(15,336)
Net deferred income tax assets/(liabilities), at the end of year	(42)	19

36. DEFERRED INCOME TAX ASSETS AND LIABILITIES (continued)

The breakdown of deferred income tax assets and liabilities at the end of the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	31 December 2019	31 December 2018
Deferred income tax assets/(liabilities)		
Accumulated taxable losses	307,136	288,152
Insurance contract liabilities	99,484	83,565
Amortisation of intangible assets	26,971	15,086
Impairment loss provisions	60,728	13,608
Employee stock ownership plan	9,600	9,600
Unrealized gains of structured entities	(480,245)	(403,668)
Net fair value adjustment on available-for-sale financial assets	21,718	(2,587)
Net fair value adjustment on financial assets at fair value through profit or loss	(41,021)	695
Share of net profit of associates and joint ventures accounted for using the equity method	(4,413)	(4,432)
Net deferred income tax assets/(liabilities)	(42)	19
Represented by		
Deferred income tax assets	525,637	408,119
Deferred income tax liabilities	(525,679)	(408,100)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. At 31 December 2019, the Group did not recognise deferred income tax assets of RMB868,097 thousand in respect of losses amounting to RMB3,990,307 thousand that can be carried forward against future taxable income.

37. OTHER ASSETS

	31 December 2019	31 December 2018
Subrogation receivables	574,340	342,516
Advanced payment	442,125	337,012
Coinsurance expense to be reimbursed	279,631	375,294
Receivable from securities clearing	73,833	—
Deposits	49,429	82,371
Estimate of input tax	37,335	50,754
Assets recognised from costs to fulfil a contract	16,334	20,469
Others	108,091	73,120
Less: Provisions for other assets	(3,566)	—
Total	1,577,552	1,281,536

Notes to the Consolidated Financial Statements

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

38. SHARE CAPITAL

	31 December 2019	31 December 2018
Number of shares issued and fully paid at RMB1 yuan each	1,469,813	1,469,813

39. RESERVES

The amounts of the Group's reserves and the movements therein during the year are presented in the consolidated statement of changes in equity.

(a) Capital reserves

Capital reserves mainly represents share premium from issuance of shares.

(b) Surplus reserves

Surplus reserves consist of the statutory surplus reserve and the discretionary surplus reserve.

(i) Statutory surplus reserves (the "SSR")

According to the PRC Company Law and the articles of association of the Company, the Company is required to set aside 10% of their net profit (after offsetting the accumulated losses incurred in previous years) determined under PRC GAAP, to the SSR until the balance reaches 50% of the respective registered capital.

Subject to the approval of shareholders, the SSR may be used to offset the accumulated losses, if any, and may also be converted into capital, provided that the balance of the SSR after such capitalisation is not less than 25% of the registered capital of the Company's retained profits. Since the Company does not have net profit at its company level instead of Group level, no reserve has been provided.

(ii) Discretionary surplus reserves (the "DSR")

After making necessary appropriations to the SSR, the Company may also appropriate a portion of their net profit to the DSR upon the approval of the shareholders in general meetings.

Subject to the approval of the shareholders, the DSR may be used to offset accumulated losses, if any, and may be converted into capital.

(c) Other reserves

The investment revaluation reserve records the fair value changes of available-for-sale financial assets. The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the subsidiaries incorporated outside the PRC. Other reserves due to share-based payments records the fair value of share options granted to the directors and employees of the Company.

40. SHARE-BASED PAYMENTS

(a) 2014 Share Option Plan

On 4 December 2014, the general meeting of shareholders of the Company approved the establishment of an equity-settled share-based compensation plan (the "2014 Share Option Plan") that provides the granting options to eligible directors and employees (collectively, the "Grantees") to acquire shares of the Compamy at an exercise price of RMB1.5 yuan per share. Upon the 2014 Share Option Plan, shares have been reserved by one of the shareholders of the Company, namely Unifront Holding Limited. (Unifront Holding), for Grantees.

On 9 January 2015, the Company granted 60,000,000 share options to its directors and employees. Subject to the Grantee continuing to be a service provider, 100% of these options were vested upon fulfilling the condition in the share option agreement. Since then, these options were vested over 4 years.

(b) Revised 2014 Share Option Plan

Pursuant to "Bao Jian Fa [2015] No.56 – Notice on Relevant Matters Concerning the Insurance Companies to Carry Out Employee Stock Plan" issued by CIRC on 2 July 2015, the Company modified the terms and condtions of 2014 Share Option Plan. Such revised 2014 Share Option Plan ("Share Ownership Plan") has been approved by the general meeting of shareholders of the Company on 18 December 2015.

Under the Share Ownership Plan, Unifront Holding transferred 60,000,000 shares to two holding vehicles ("Holding Vehicles"), namely Shanghai Haoguan Investment Management Partnership (Limited Partnership) ("Shanghai Haoguan") and Shanghai Qianguo Investment Management Partnership (Limited Partnership) ("Shanghai Qianguo"). Aggregate considerations amounting to RMB90,000 thousand for such shares transfer have been paid by the two Holding Vehicles to Unifront Holding, after the Holding Vehicles received the cash paid in by the Grantees at the exercise price of RMB1.5 yuan per share.

Holding Vechiles	Number of shares of the Company held by the Holding Vechiles	Exercise price per share	Aggregrate cash paid in by the Grantees	Cash settled to Unifront Holding
Shanghai Haoguan	28,570,000	RMB1.5 yuan	42,855	42,855
Shanghai Qianguo	31,430,000	RMB1.5 yuan	47,145	47,145

The Grantees can dispose their interests in the Holding Vehicles after the Company successfully complete an initial public offering and the Company's shares get listed in the stock exchange ("IPO and listing") and a three-year locking period ("Locking Period") after the IPO and listing. The Grantees will be entitled to a disposal of 25% of such interests in the Holding Vehicles each year after the Locking Period.

The Group has no legal or constructive obligations to repurchase the shares of the Company from the Holding Vechiles.

In five years, if the Company fails to complete an IPO and listing, Unifront Holding will have the constructive obligation to repurchase the shares held by the Holding Vehicles. The repurchase price will be determined at arm's length.

The directors have used the income approach-discounted cash flow method to determine the fair value of the shares of the Company, and adopted Black-Scholes Option Pricing Model and Binomial Option Pricing Model to determine the fair value of the underlying share options. Key assumptions, such as discount rate and projections of future performance, are required to be determined by the Directors with best estimate.

Notes to the Consolidated Financial Statements

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

40. SHARE-BASED PAYMENTS (continued)

(b) Revised 2014 Share Option Plan (continued)

Based on fair value of the underlying shares, the directors have used Binominal pricing model to determine the fair value of the share options as of the grant date, which amounted to RMB0.64 yuan per share option. Key assumptions are set out as below:

Dividend rate(%)	0.00
Volatility(%)	44.00
Risk-free interest rate(%)	3.427
Life of options(in years)	9.4
Estimate share price at grant date according to income approach(in RMB yuan)	1.4
Exercise price(in RMB yuan)	1.5

The total expenses recognized in the consolidated statement of comprehensive income for employee ownership plan is disclosed in Note 15.

The remaining contractual life of share options outstanding as at 31 December 2019 and 31 December 2018 are 4.9 years and 5.9 years, respectively.

41. BORROWINGS

	31 December 2019	31 December 2018
Bank Loan	—	33,333
Other Loan	—	26,383
	—	59,716

42. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	31 December 2019	31 December 2018
Securities - bonds		
– Inter-bank market	2,326,973	1,160,000
– Stock exchange	1,722,752	1,392,928
	4,049,725	2,552,928

As at 31 December 2019, bond investments of approximately RMB4,964,173 thousand were pledged as securities sold under agreements to repurchase. Securities sold under agreements to repurchase are generally repurchased within 12 months from the date the securities are sold.

43. REINSURANCE PAYABLES

	31 December 2019	31 December 2018
Within one year	205,802	334,944
Over one year	12,258	20,327
	218,060	355,271

44. INSURANCE CONTRACT LIABILITIES

	31 December 2019		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
Insurance contracts liabilities			
– Unearned premium reserves	5,368,632	(111,834)	5,256,798
– Claim reserves	2,174,008	(163,293)	2,010,715
	7,542,640	(275,127)	7,267,513
Incurred but not reported claim reserves	1,051,298	(62,099)	989,199

	31 December 2018		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
Insurance contracts liabilities			
– Unearned premium reserves	3,785,874	(123,066)	3,662,808
– Claim reserves	1,541,242	(120,150)	1,421,092
	5,327,116	(243,216)	5,083,900
Incurred but not reported claim reserves	650,435	(56,228)	594,207

Notes to the Consolidated Financial Statements

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44. INSURANCE CONTRACT LIABILITIES (continued)

Movements of unearned premium reserves

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
1 January 2018	1,769,012	(98,997)	1,670,015
Premium written	11,255,718	(462,622)	10,793,096
Premium earned	(9,238,856)	438,553	(8,800,303)
31 December 2018	3,785,874	(123,066)	3,662,808
Premium written	14,629,589	(234,148)	14,395,441
Premium earned	(13,046,831)	245,380	(12,801,451)
31 December 2019	5,368,632	(111,834)	5,256,798

Movements of claim reserves

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
1 January 2018	661,064	(33,426)	627,638
Claims incurred	5,530,919	(262,483)	5,268,436
Claims paid	(4,650,741)	175,759	(4,474,982)
31 December 2018	**1,541,242**	**(120,150)**	**1,421,092**
Claims incurred	**8,924,304**	**(299,615)**	**8,624,689**
Claims paid	**(8,291,538)**	**256,472**	**(8,035,066)**
31 December 2019	**2,174,008**	**(163,293)**	**2,010,715**

45. OTHER LIABILITIES

	31 December 2019	31 December 2018
Payables to service suppliers	739,805	632,540
Salary and staff welfare payable	314,200	293,631
Deposit payable	262,694	19,522
Commission and brokerage payable	158,853	157,316
Claims payable	115,895	165,130
Payables for asset management fee	110,210	10,981
Tax payable other than income tax	80,117	34,571
Payables for securities purchased but not settled	53,625	—
Insurance guarantee fund	49,489	54,336
Others	159,089	75,497
	2,043,977	1,443,524

46. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Year ended 31 December 2019	Year ended 31 December 2018
Loss before income tax	(610,838)	(1,810,161)
Impairment loss	192,630	136,701
Net investment income	(1,775,786)	(774,485)
Net fair value changes through profit or loss	(169,896)	153,949
Depreciation of property and equipment	43,311	38,116
Amortization of intangible assets	119,601	74,513
Amortization of right-of-use assets	133,115	—
Gains on disposal of fixed assets, intangible assets and other long-term assets	(83)	—
Foreign exchange losses/(gains)	(1,962)	838
Finance costs	111,096	43,276
Expense recognized for share-based payments	—	780
Increase in premium receivables	(1,494,874)	(1,513,525)
Decrease/(Increase) in reinsurance assets	49,351	(240,687)
Amortisation of deferred income	(631)	(631)
Share of net loss/(profit) of associates and joint ventures	43,946	(6,830)
Change in insurance contract liabilities	2,183,613	2,786,247
Increase in other operating receivables	(470,468)	(856,771)
Increase in other operating liabilities	433,052	689,573
Cash used in operating activities	(1,214,823)	(1,279,097)

Notes to the Consolidated Financial Statements

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47. RELATED PARTY TRANSACTIONS

The Company's directors were of the view that Ant Small and Micro Financial Services Group Co. Ltd. ("Ant Financial"), Ping An Insurance (Group) Co. of China Ltd. ("Ping An Insurance"), Tencent Holdings Limited ("Tencent"), Sinolink Worldwide Holdings Limited ("Sinolink Worldwide") and their subsidiaries and Shanghai Nuanwa were considered as related parties of the Group. Alibaba Group Holdings Limited ("Alibaba") and its subsidiaries were also considered as related parties of the Group given the relationship between Alibaba and Ant Financial Services. Key management personnel and the entity controlled or jointly controlled by a person was identified as key management personnel ("key management personnel") are considered as related parties of the Group as well. The Group's transactions with related parties were conducted under the ordinary course of business.

The Group had the following major transactions with related parties:

(a) Sale of insurance contracts

	Year ended 31 December 2019	Year ended 31 December 2018
Tencent and its subsidiaries	12,798	4,218
Alibaba and its subsidiaries	1,939	2,511
Sinolink Worldwide and its subsidiaries	300	28,681
Shanghai Nuanwa	183	—
Ant Financial and its subsidiaries	5	83
	15,225	35,493

(b) Claim from insurance contracts

	Year ended 31 December 2019	Year ended 31 December 2018
Tencent and its subsidiaries	8,808	3,024
Alibaba and its subsidiaries	3,799	4,081
Sinolink Worldwide and its subsidiaries	741	72
Shanghai Nuanwa	111	—
Ant Financial and its subsidiaries	11	(90)
	13,470	7,087

47. RELATED PARTY TRANSACTIONS (continued)

(c) Technical service fees

	Year ended 31 December 2019	Year ended 31 December 2018
Ant Financial and its subsidiaries	1,084,963	487,624
Tencent and its subsidiaries	742	7,669
	1,085,705	495,293

(d) Interest income

	Year ended 31 December 2019	Year ended 31 December 2018
Ping An Insurance and its subsidiaries	246	4,137

(e) Asset management fees

	Year ended 31 December 2019	Year ended 31 December 2018
Ping An Insurance and its subsidiaries	75,111	16,242

(f) Fees for purchasing goods and other services

	Year ended 31 December 2019	Year ended 31 December 2018
Alibaba and its subsidiaries	63,669	64,429
Shanghai Nuanwa	13,307	—
Tencent and its subsidiaries	10,973	16,818
Ping An Insurance and its subsidiaries	5,150	2
Ant Financial and its subsidiaries	3,104	9,924
Key management personnel	1,748	1,308
	97,951	92,481

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

Notes to the Consolidated Financial Statements

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47. RELATED PARTY TRANSACTIONS (continued)

(g) Capital transaction with Sinolink Worldwide

On 18 July 2019, ZhongAn Technology and Sinolink Worldwide, together with ZhongAn International, signed a tripartite capital increase agreement to inject respectively RMB1,000,000 thousand and RMB960,784 thousand into ZhongAn International, in accordance with their 51% and 49% shareholding of ZhongAn International. As of 31 December 2019, ZhongAn Technology and Sinolink Worldwide injected RMB400,000 thousand and RMB384,314 thousand to ZhongAn International, respectively.

On 26 July 2019, Sinolink Worldwide paid ZhongAn International HKD106,276 thousand in cash, equivalent to RMB93,549 thousand in total, to subscribe 93,549 thousand redeemable preference shares of RMB1 each respectively.

On 31 October 2019, ZhongAn International redeemed 140,000 thousand redeemable preference shares from Sinolink Worldwide Holdings Limited at total redemption price of RMB149,008 thousand.

On 22 October 2019, Sinolink Worldwide injected RMB384,314 thousand into ZhongAn International.

(h) Receivables with related parties

	31 December 2019	31 December 2018
Ping An Insurance and its subsidiaries (i)	275,827	357,568
Ant Financial and its subsidiaries	50,195	11,749
Shanghai Nuanwa	1,348	—
Tencent and its subsidiaries	1,345	122
Sinolink Worldwide and its subsidiaries	—	45
	328,715	369,484

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

(i) Payables with related parties

	31 December 2019	31 December 2018
Ping An Insurance and its subsidiaries	67,574	5,184
Alibaba and its subsidiaries	7,902	15,185
Tencent and its subsidiaries	246	3,264
Sinolink Worldwide and its subsidiaries	16	15
	75,738	23,648

47. RELATED PARTY TRANSACTIONS (continued)

(j) Prepayments to related parties

	31 December 2019	31 December 2018
Alibaba and its subsidiaries	25,869	30,039
Shanghai Nuanwa	19,050	—
	44,919	30,039

(k) Compensations of key management personnel

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

	Year ended 31 December 2019	Year ended 31 December 2018
Wages, salaries and bonuses	19,384	14,964
Share-based payments	—	543
Pension costs – defined contribution plans	504	561
Other social security costs, housing benefits and other employee benefits	542	504
	20,430	16,572

48. CONTINGENT LIABILITIES

Owing to the nature of the insurance business, the Group is involved in the making estimates for contingencies and legal proceedings in the ordinary course of business, both in the capacity as plaintiff or defendant in litigation and arbitration. Legal proceedings mostly involve claims on the Group's insurance products. Provision has been made for the probable losses to the Group, including those claims where directors can reasonably estimate the outcome of the litigations taking into account the related legal advice, if any. No provision is made for contingencies and legal proceedings when the result cannot be reasonably estimated or the probability of loss is so low.

In addition to the above legal proceedings, at 31 December 2019 and 2018, the Group has no major pending litigation as the defendant.

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49. COMMITMENTS

Operating lease commitments

We lease offices from third parties under non-cancellable operating leases. The following table below sets forth our future minimum lease payments under irrevocable rental contracts as of the dates indicated:

	31 December 2018
Within 1 year (including 1 year)	147,659
1 to 2 years (including 2 years)	135,598
2 to 3 years (including 3 years)	121,854
Over 3 years	180,484
	585,595

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

	31 December 2019	31 December 2018
ASSETS		
Cash and cash equivalents	422,838	549,770
Financial assets at fair value through profit or loss	—	512,449
Securities purchased under agreements to resell	160,000	—
Interest receivables	72,700	3,395
Premium receivables	3,532,160	2,037,286
Reinsurance receivables	238,028	287,379
Reinsurers' share of insurance contract liabilities	275,127	243,216
Available-for-sale financial assets	5,265,753	25,000
Restricted statutory deposits	294,338	293,963
Investments in subsidiaries	12,067,272	15,670,619
Investments in associates and joint ventures	323,651	322,565
Right-of-use assets	181,624	—
Property and equipment	55,356	82,286
Intangible assets	306,896	260,837
Deferred income tax assets	—	—
Other assets	1,689,076	1,259,875
Total assets	24,884,819	21,548,640
EQUITY AND LIABILITIES		
Equity		
Share capital	1,469,813	1,469,813
Reserves	16,373,128	16,623,868
Accumulated loss	(4,065,949)	(3,628,717)
Total equity	13,776,992	14,464,964
Liabilities		
Securities sold under agreements to repurchase	1,348,979	—
Premium received in advance	101,134	111,736
Reinsurance payables	218,060	355,271
Insurance contract liabilities	7,542,699	5,328,199
Lease liabilities	204,781	—
Deferred income tax liabilities	—	—
Other liabilities	1,692,174	1,288,470
Total liabilities	11,107,827	7,083,676
Total equity and liabilities	24,884,819	21,548,640

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019
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50. BALANCE SHEET AND STATEMENT OF CHANGES IN EQUITY OF THE COMPANY (continued)

The movements in reserves and accumulated losses of the Company are set out below:

	Share capital	Capital reserves	Available-for-sale investment revaluation reserves	Other reserves due to share-based payment	Accumulated losses	Total equity
1 January 2018	1,469,813	16,585,468	—	37,620	(2,097,904)	15,994,997
Total comprehensive loss	—	—	—	—	(1,530,813)	(1,530,813)
Share-based payments	—	—	—	780	—	780
31 December 2018	1,469,813	16,585,468	—	38,400	(3,628,717)	14,464,964
Total comprehensive loss	—	—	(250,740)	—	(437,232)	(687,972)
31 December 2019	1,469,813	16,585,468	(250,740)	38,400	(4,065,949)	13,776,992

51. SUBSEQUENT EVENT

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

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

On 16 January 2020, ZhongAn International redeemed 480,000,000 redeemable preference shares at total redemption price of RMB511,894 thousand.

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

52. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved and authorized for issue by the Company's board of directors on 23 March 2020.

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